

Searching the Web

A mass medium takes shape

Page 11

'A bit crowded'
.....
*FT review of
the year*

Pages 6, 7

German burden

The cost of social benefits

Page 3

TOMORROW'S
Weekend FT
.....
Forces of darkness
in our cities



China leaves HK Democrats out of transition group

China has selected a group of senior Hong Kong business figures, local pro-Beijing politicians and Communist Party officials to oversee preparations for Hong Kong's reversion to Chinese rule during the last 18 months of British sovereignty. Business membership is strongly weighted towards Hong Kong's property developers and includes Li Ka-shing (left), chairman of the 450-strong "preparatory committee". Beijing disappointed many by shunning members of Hong Kong's Democratic Party, the group which won popular support in the colony's general election in September. Page 12



Germans agree telecoms timetable: The German government and the main opposition party have agreed a timetable for legislation to liberalise the telecommunications market and provide more

Amstrad executive resigns: David Rogers, chief executive of Amstrad, the UK electronics, computers and telecommunications equipment group, has resigned after a boardroom disagreement over the company's loss-making consumer electronics business. Page 13; *Lex*, Page 12; Details, Page 1.

US data held up: Efforts to resolve the US budget dispute continued with no early agreement in sight, while government departments were forced to delay the release of market-sensitive economic figures because of staff shortages caused by the partial government shutdown. Page 4

Call for lower German labour costs: Hans Tietmeyer, president of the Bundesbank, called for firm action to bring down Germany's high labour costs and reduce the social security burden on the country's economy. Page 3

US technology shares plunge: Technology stocks took a battering on Wall Street after two US technology companies warned that profits were behind analysts' expectations. Page 18; World stocks. Page 28

Bloomingdale's chain to expand: Federated Department Stores, owner of Bloomingdale's and other US department store chains, plans to launch its up-market Bloomingdale's format in California next year - a rare foray west of the Mississippi for the Bloomingdale's chain. Page 14.

Combined Lloyds TSB shares rise: The first day of operation for the merged Lloyds TSB Group in the UK saw shares rise by 4½p to close at 343½p, despite some analysts' predictions that they would trade at a discount. **Page 18**

Land Rover output soars: Land Rover, the UK four-wheel-drive vehicle maker owned by BMW of Germany, surpassed its own forecasts and built more than 127,000 units this year, a 35 per cent rise on 1994 levels reflecting strong growth in overseas demand. **Page 18**

Agreement close on Mediaset deal: A consortium of Italian banks is expected to agree by tomorrow to buy 6 per cent of Mediaset, the company containing the television interests of Silvio Berlusconi's Fininvest business empire. Page 14

Italy to finalize financial package: The Italian government is due to decide today on details of a L5,255bn (\$3.3bn) end-of-year financial package to back up the 1996 budget. Page 2

Granada hits back: Granada is planning a campaign next week to remind Forte's shareholders of the reasoning behind its £3.3bn (\$5.08bn) hostile bid. Page 18

Pilot error blamed for Colombia crash: Authorities said the pilot of an American Airlines 757 failed to release landing brakes when he gunned the engines in an evasive manoeuvre moments before the aircraft crashed into a mountain in Colombia last week, killing 160 people.

Ukrainian pianist Cherkassky dies:
Ukrainian-born pianist Shura Cherkassky, acclaimed as an interpreter of great romantic pieces, such as those by Chopin, Liszt and Schumann, died in London aged 84.

Cricket: An unbroken eighth-wicket partnership of 50 helped England reach 250 for seven on the third day of the fourth test at Port Elizabeth, avoiding the follow-on but still 178 runs behind South Africa's first innings total.

N STOCK MARKET INDICES		N GOLD	
Dow Jones Industrial	5,602.25	Nov. 1975 Commit. Fee	\$367.75
NASDAQ Composite	1,040.22		
NYSE Advance-Decline	1,070.94	Nov. 1976 Commit. Fee	\$367.25
Daily Volume	2,728.94		
FT-SE 100	2,574.7		
London	10,873.13		
N 12% LONGMINT RATE		N DOLLAR	
Federal Funds	5.5%	Nov. 1975 Inflation	
3-Month T-Bill	4.971%	Nov. 1976 Inflation	
Long Bond	11.2%		
	5.699%		
N OTHER RATES			
90-day Inflation	5.2%	London	1,352
180-day Inflation	10.6%	Nov. 1976	1,500.5
3-Month T-Bill	4.971%	Nov. 1977	1,420
Long Bond	11.2%	Nov. 1978	1,400.5
90-day Inflation	5.2%	Nov. 1979	1,387.5
180-day Inflation	10.6%	Nov. 1980	1,027.7
3-Month T-Bill	4.971%		
Long Bond	11.2%		
N NORTH SEA OIL (Argus)		N STEELBAR	
Nov. 1975	2,226.3	Nov. 1975	2,234.0
Nov. 1976	2,199.0	Nov. 1976	2,199.0

NEWS: EUROPE

Russia's privatisation: from bang to whimper

The muddled collapse this week of Russia's telecoms sell-off closes a chapter in the country's transition from communism to a market economy.

Russia began the transformation with a bang in 1993, launching a mass privatisation programme which shifted 80 per cent of the economy at least partially into the private sector in just two years. But that phase ended with a whimper this week with the collapse of the sale of Sviazinvest, a newly formed Russian telecoms company, to Stet, Italy's state-controlled telecoms holding company.

Although Stet has said it hopes its differences with the Russian government can be resolved and that the Sviazinvest deal can be revived, Russian authorities yesterday insisted that the deal was dead. "The deal is closed," said Ms Elena Shalueva, a spokeswoman for the Russian Privatisation Centre, which organised

Collapse of the telecommunications sale to an Italian group has wide implications for the transition to capitalism, writes Chrystia Freeland

the tender on the government's behalf. Ms Shalueva said that it was likely Stet would not be welcome to participate in the new tender when the government made a second attempt to sell off Sviazinvest next year.

The failure of the telecoms divestment has wide implications. Following criticism that many of Russia's privatisations have been secretive deals to benefit government and company insiders, the Sviazinvest sale had been billed as a transparent serving as the model for future international sell-offs.

But now the deal has fallen apart, the entire privatisation process is being viewed in a more critical light. The collapse has given credence to the attacks on privatisation which figured prominently in the

recent parliamentary election campaign and which are likely to be among the defining issues in next year's presidential contest.

The main line of attack has been to question what sort of an economy - and society - the wildly ambitious mass privatisation programme has created.

When market reforms began in Russia four years ago, the challenge of establishing capitalism after 70 years of central planning overwhelmed subsidiary debates about the type of capitalism Moscow's youthful leaders were creating. But now that Russia has something which, for all its flaws, must be called a market economy, many observers are beginning to look at it more closely,

and less favourably. To be sure, some of the strongest challenges have come from the Communists, who opposed market reforms from the outset. But, in contrast with the early days of transition, both reform-minded politicians and businessmen have also begun to criticise privatisation.

One of the most articulate is Mr Grigory Yavlinsky, leader of Yabloko, Russia's leading pro-reform party. Although he first made his name as a reform economist in the Gorbachev era, he now considers the mass privatisation programme flawed because it has failed to improve corporate governance or attract significant new investment, while leading to a hugely unfair redistribution

of the country's wealth. "Mass privatisation with the voucher method was senseless," Mr Yavlinsky says. "The real problem with it was that all it did was to give property to the *nomenklatura*."

This view gained many adherents this autumn, when the government controversially auctioned large stakes in some of the country's most valuable enterprises in exchange for loans. Government officials said the scheme would raise money swiftly for the cash-strapped treasury. Its opponents saw it as a blatant example of the manner in which privatisation was being used to transfer national assets to a small group of insiders.

One measure of the condemnation which the shares-for-

loans scheme has earned, even in the most pro-market sectors of Russian society, is a statement yesterday from the Roundtable of Russian Business, one of the most respected business associations.

The group described the procedure as an "opaque process... which will inevitably lead to conflicts". It called on the government to stop it immediately and, even more remarkably, for all winners of the shares-for-loans auctions "to consider soberly the programme's implications for the future of private business in Russia and to give up their acquisitions voluntarily".

The collapse of the Sviazinvest privatisation has deprived the Kremlin of its last line of defence against these increas-

N-test shatters seasonal quiet

By Andrew Jack in Paris

The timing of France's fifth nuclear test, carried out by the country's scientists on Wednesday in the South Pacific, could have been better for public relations purposes.

The furious reaction sparked by President Jacques Chirac's original decision in June to proceed with eight tests took officials by surprise, and the prolonged criticism became particularly embarrassing because it dragged on into the 50th anniversary of the bombing of Hiroshima in August.

The volume of media coverage has diminished sharply with each successive test since then.

But this week's explosion has burst back into the headlines because it was carried out at a time when there is little other news for the French press to report in the quiet period just after Christmas. According to some reports, the explosion was delayed from its scheduled date a little before Christmas because of the reaction likely to be triggered at a time when the country was in the middle of fraught negotiations with unions after three weeks of strike action by public sector workers.

However, there is a feeling among many that France has ridden out the worst of the storm of international reaction and that the tests are a sign that the country is likely to finish by the end of February will soon be widely forgotten.

The explosion under the Mururoa atoll of a bomb with a power of a little under 30 kilotons - still almost twice the power of that over Hiroshima - did not fail to trigger a round of strong rebukes.

Mr Jim Bolger, New Zealand's prime minister, called France "the worst enemy" of the Pacific and accused it of defying public opinion. South Korea expressed its "profound regrets", and Mr Tomichi Murayama, Japan's prime minister, asked for an end to the tests "which have a sense of compromise", regulating and authorising it to ensure play-

ers' rights are respected, gaining income while preventing it becoming too large.

While often neglected abroad, France's own vocal opponents of testing reiterated their criticism. The Communist party said it was "revolted and concerned" by the timing of the latest test, and the Socialists called them "arrogant" and "without military use".

However, the French foreign affairs ministry stressed yesterday that the test would have no negative environmental consequences on the region. It also maintained the official line that the explosions were necessary for completing scientific tests of the country's nuclear weapons.

The Française des Jeux company has generated lots of profits and plenty of bad publicity, writes Andrew Jack in Paris

It is no coincidence that the top floor of the Paris headquarters of Française des Jeux, the French national lottery organisation, resembles a luxurious penthouse flat. With its roof garden, wood panels and modern furnishings, that is exactly the way it was used by Mr Gérard Colé, the organisation's former head, who is facing corruption allegations.

While the British and some other national lotteries have recently had some unwelcome publicity, France has a notable track record. Earlier this month, Mr Patrick Le Lay, head of TF1, the country's largest television station, was held for two days in police custody and his office raided.

The action was only the most recent and one of the most public steps in a long-running inquiry conducted by Judge Gérard Poirotte into the operation of Française des Jeux while under the governance of Mr Colé, who was placed under formal investigation for fraud and corruption in December 1994.

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France's lottery organisation proves both winner and loser

TF1 is alleged to have given Mr Colé FF10m (\$2m) in banknotes in an attempt to persuade him to continue to give the broadcaster exclusive broadcasting rights for the lottery results. Mr Le Lay rejects the charges vigorously.

Fransaise des Jeux's 1994 annual report shows some of the broader concerns about its own past management. In early 1993 the auditors drew the public prosecutor's attention to large payments, which they considered unlawful, to a group of information technology service providers.

The tax authorities subsequently launched an inquiry, and by the end of 1993 the search was on for a replacement for Mr Colé. The following January, the public prosecutor opened an investigation concerning misappropriation of corporate funds through over-charging.

A court-appointed expert highlighted highly autonomous company management, no systematic invitations to tender, imprecise agreements and strong development of rela-

tions with a few suppliers. The organisation's new chairman, Mr Bertrand de Galé, former head of the recently privatised Sella tobacco group, stresses that things have changed fundamentally since then. He argues that none of the allegations touching his predecessor puts into question the integrity of the lottery games themselves, and that all links with the past are now severed.

"We have radically reviewed the management of the company," he says. "The board must approve all decisions and expenses are controlled. We have changed our internal structure, and the relations between subsidiaries."

He has also made an additional personal ethical stand: he has ruled out playing any of the games himself, even though he stresses that he has no way of influencing the outcome, or even knowing in advance who has won.

One of the problems facing Française des Jeux was its curious structure: a mix of the public and private sector, with

a chairman appointed by the state, which now holds 72 per cent of the shares, and the rest distributed between a range of long-standing investors and vendors.

Another was the temptation provided by an organisation which last year generated FF331m in sales of its dozen games, and reported post-tax net income of FF330m.

While the largest proportion of takings - some 55 per cent - goes to lottery winners, and the state claims more than another quarter in taxes and levies, that leaves a substantial dividend to be distributed to shareholders, which include two private families and several war veterans' associations.

They, along with farmers hit by natural disasters and other environmental hazards, were among the early beneficiaries of the state-backed lottery created by a law in 1933. The only other body for which money is specifically earmarked is the promotion of sports - accounting for 2.4 per cent of the state's proceeds.

Mr de Galé says there are no

discussions under way to change the existing structure of shareholding or the split of the proceeds. Equally, he is content with the number of sales outlets: some 41,000, largely tobaccoists and newsagents.

More change is likely to come in other countries, such as South Africa, where Française des Jeux is acting as a partner in the development of a lottery. In France, Mr de Galé predicts that in the next "several" years there may also be new, interactive video lottery games on offer.

But he is in an enviable position compared to many of his peers in business, with sales continuing to mount steadily despite the economic downturn in France. There has been a particularly sharp rise in sales of "instant games" such as scratch-cards, which he puts down to their low cost, high probability of winning a prize and the fact that they provide an immediate result.

Regarding concerns about the morality of running an organisation which tends to



The millionaire: A woman contestant jumps for joy over a million franc win in a lottery game

consume disproportionately the income of the lower-paid, he argues that average expenditure is relatively low, and that "the Catholic tradition in France means a public debate about money would be very difficult".

"We have to be attentive to

morality but gambling exists in all civilisations," he says. He believes the French authorities have come up with a "good compromise", regulating and authorising it to ensure play-

ers' rights are respected, gaining income while preventing it becoming too large.

Dini attempts to tie up New Year package

By Robert Graham in Rome

The Italian government is due to decide today on details of a L5,285bn (\$3.3bn) end-of-year financial package to back up the 1996 budget.

It will be the last formal act of the 11-month-old administration, the first composed entirely of non-parliamentarians. Mr Lamberto Dini, the prime minister, is expected to hand in his resignation by the weekend - an offer which is likely to be rejected by Presi-

dent Oscar Luigi Scalfaro.

Preparation of the mini-budget was complicated 10 days ago when parliament approved a motion, brought by the right-wing alliance, of former premier Silvio Berlusconi, demanding that the entire L5,285bn be financed by spending cuts.

The government had intended to raise the money by raising direct taxes. As a result, it has had to reconsider the package, trying to placate the right-wing alliance while

seeking to avoid alienating its main support base in parliament, the centre-left parties and their trade union allies.

Having embarrassed the government on this issue, the Berlusconi camp softened its stance, and was content to allow the 1996 budget to pass through parliament on Christmas Eve. The budget seeks to find L3,200bn in new revenues and spending cuts to reduce the deficit to 5.9 per cent of gross domestic product. The unions have been con-

cerned that more spending cuts will alter the budget's balance, with the axe falling on health and social security benefits. They have made vague threats of strike action if the government decides at this late stage to slash spending.

The budget already contains cuts of L1,400bn. Against this background, the government has managed to find a legal loophole that allows the mini-budget to avoid the full implications of the parliamentary vote

demanding spending cuts. Thus, L3,800bn of the package will be centred around raising new revenues.

The public has already been softened up to expect increased duties on petrol, alcohol and tobacco, plus a raft of rises in fees paid for the annual renewal of car and gun licences, passports and stamp duties.

Other funds will come from an extension of a tax amnesty, which eases settlements in disputes over tax returns and

on social security contributions from 1989 to 1993. The extension is expected to cover 1994.

The original tax amnesty was scheduled to provide L11,500bn. But, even after a series of modifications during the course of this year to make it more attractive, receipts are likely to be no more than L7,000bn.

These lower receipts have been one of the main reasons behind the need for an end-of-year mini-budget.

LEGAL NOTICES

IN THE HIGH COURT OF JUSTICE (ENGLAND)
CHANCERY DIVISION
COMPANIES COURT
IN THE MATTER OF

No. 004232 of 1995

CENTAUR INTERNATIONAL INSURANCE COMPANY LIMITED
(a Bermudian registered company)

THE CONCORD REINSURANCE COMPANY LIMITED
(a Bermudian registered company)

MARBARCH INSURANCE COMPANY LIMITED
(a Bermudian registered company)

SHASTA REINSURANCE COMPANY LIMITED
(a Bermudian registered company)

AND

IN THE MATTER OF THE COMPANIES ACT 1985 OF GREAT BRITAIN

No. 259 of 1995

IN THE SUPREME COURT OF BERMUUDA
CIVIL JURISDICTION
IN THE MATTER OF

CENTAUR INTERNATIONAL INSURANCE COMPANY LIMITED
and

THE CONCORD REINSURANCE COMPANY LIMITED
and

MARBARCH INSURANCE COMPANY LIMITED
and

SHASTA REINSURANCE COMPANY LIMITED

AND

IN THE MATTER OF THE COMPANIES ACT 1981 OF BERMUUDA

NOTICE IS HEREBY GIVEN that on 8 November, 1995 the Closing Scheme of Arrangement between the above-named companies and their respective Closing Scheme Creditors (as defined in the Closing Scheme of Arrangement) was approved by the Closing Scheme Creditors.

Further notice is hereby given that by orders dated 5 December, 1995 and 6 December, 1995 made in the above matters, the Supreme Court of Bermuda and the High Court of Justice in England sanctioned the Closing Scheme of Arrangement.

On 8 December, 1995 the order made in the High Court of Justice in England sanctioning the Closing Scheme of Arrangement was delivered to the Registrar of Companies for registration in England and on 7 December, 1995 the order made in the Supreme Court of Bermuda sanctioning the Closing Scheme of Arrangement was delivered to the Registrar of Companies for registration in Bermuda.

The Effective Date of the Closing Scheme of Arrangement (as defined in the Closing Scheme of Arrangement) is 8 December, 1995.

In accordance with the terms of the Closing Scheme of Arrangement, Worthington Limited has provided a Claims Form to each Closing Scheme Creditor. Additional Claims Forms are available on written request from Ian Broderick of Trinity Square Services Limited, Pulteney Place, Great Western Road, Gloucester GL1 3NB. Closing Scheme Creditors who wish to have their own estimate of their claims considered for a final dividend are required to submit their Claims Form before 7 March, 1996.

Dated 29 December, 1995

Clifford Chance

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Solicitors to Worthington Limited

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N-test
shatters
seasonal
quiet

by Andrew Jack in Paris

The timing of France's test, carried out by the country's scientific services on Wednesday in the South Pacific, was not a coincidence. It has been better for public relations purposes.

The nuclear reactor project, which has been a source of controversy since its announcement in June, has been a source of controversy since its announcement in June. It has been a source of controversy since its announcement in June.

Proponents of the test, which is being carried out by the French government, claim that it will demonstrate the safety of the reactor. They claim that the test will show that the reactor is safe and that it can be used for power generation.

Opponents of the test, however, claim that it is dangerous and that it could lead to a nuclear accident. They claim that the test is a violation of international law and that it is a threat to the environment.

The test is being carried out in the South Pacific, a region that is home to many indigenous people. Some of these people are concerned that the test could contaminate the land and the water.

The French government has said that it will take all necessary precautions to ensure the safety of the test. It has said that it will monitor the test closely and that it will stop the test if there is any danger.

The test is expected to last for several days. It is expected that the results of the test will be announced in the coming weeks.

Tietmeyer joins the calls for greater industrial innovation

Bundesbank chief attacks labour costs

By Andrew Frier in Frankfurt

Mr Hans Tietmeyer, president of the Bundesbank, yesterday called for firm action to bring down Germany's high labour costs and reduce the social security burden on the German economy.

He also said steps being taken to reduce the state sector's share in the German economy - now just over 60 per cent - and the size of the budget deficit should be reinforced and maintained for some years.



Hans Tietmeyer 'solutions'

Mr Tietmeyer said in an interview with *Süddeutsche Zeitung*, the Munich newspaper, that the German central bank's monetary policies had set the basis for evenly balanced and non-inflationary economic growth. "The question is whether this is also true of other areas."

Current moves to bring more flexibility and sectoral pay differentials into the wage process were not enough. "The current discussion has to lead to concrete solutions."

His comments were published the day after German economic institutes warned that unemployment would rise unless industry received new incentives through lower taxes and reduced labour costs. Union leaders have held out the promise of more moderate wage increases next year if employers guarantee more jobs, prompting a mixed response from industry.

Yesterday Chancellor Helmut Kohl said in a newspaper interview the German economy would recover in 1996 but he insisted that the main challenge would be to reduce unemployment.

The German central bank has previously expressed concern about unemployment, currently totalling 3.7m or 9.7 per cent of the workforce. It has called for greater pay flexibility, reduced bureaucracy and planning curbs, and lower taxes and other deductions from pay and profits.

Counting cost of Bismarck's welfare legacy

Pressure is growing from German employers for reform of the social security system

Mr Dieter Schulte, head of Germany's federation of trade unions, yesterday challenged suggestions by employers' bodies that high labour costs were responsible for unemployment and lack of competitiveness.

He was responding to growing pressure from employers for reform of Germany's social welfare system, which places obligations on employers to pay benefits which add 80 per cent to salary costs.

The public debate coincides with warnings by the Bundesbank, which in its latest report said industry was pessimistic about the prospects for economic growth for the coming year. Latest forecasts show gross domestic product growth could dip below 2 per cent in 1996, compared with earlier estimates of 2.5 per cent.

Mr Wolfgang Scheremet, a labour economist at the Berlin-based German Institute for Economic Research (DIW), believes employers are not just voicing the usual gloomy end-of-year predictions about the cost of labour. "They actually want to try to change the system," he says. "The current [social welfare] system is under attack."

A slowdown was already noticeable this year after the sector reported 10-month growth rates 2.6 percentage points below comparable 1994 levels, the group said. The German chemical industry trailed its Japanese and US rivals, who reported an 8.4 per cent and 4 per cent expansion in their respective sectors.

The association expects next year a stagnation, or even recession, in industries such as construction and textiles, key purchasers of chemicals. "For the chemical industry, which acts as a producer for these various industries, this presents an environment that clearly points to reduced growth rates," it said.

The gloomy prediction echoes the caution sounded by Germany's three leading chemical companies - Hoechst, Bayer and BASF - that recent growth rates must level off. However, analysts said that slower growth rates did not signal the second half of a "boom to bust" phase but rather a natural progression after the sector pulled out of recession.

Analysts, as well as the BAVC, forecast that the chemical industry would continue to grow internationally, despite periodic clouds, which could include a slowdown in volume sales and less room to raise prices. The BAVC warned, however, that German companies must continue restructuring programmes in order to shore up international competitiveness.

"There is no way around it. Companies must now become more efficient in all areas," the association warned.

Mr Scheremet argues that German unit labour costs - in domestic currency - have not risen more than the average in other industrialised countries. In addition, he said, if employers cut the non-labour costs, the government would be left with the problem of how to pay for social services.

What has changed fundamentally is the size and complexity of the state, along with a growth in the number of welfare benefits for which - in most cases - employers and employees share the costs equally. Studies published last week by the federal labour office and the Cologne-based Institute for the German Economy (IW) show that for every DM100 (\$70) on an employee's wage bill the employer must pay an additional DM80.20 in non-labour costs.

These costs are divided into two categories. The first is legally binding social insurance, which includes pension, health, unemployment and a new insurance introduced last year to pay for nursing care in sickness or old age.

These account for DM26.50. Employees must match the costs, which are deducted from gross salary. Then comes the cost of paying workers for bank holidays (DM4.50), maternity leave (an average of DM0.40 per employee), and accident insurance (about DM2, to which the employee does not contribute).

The second category of non-labour costs relates to the *Tiervertrag* - the contract agreed between employers and unions in each business sector. In Germany, every branch of the economy has a different range of perks and privileges.

For instance, the banking sector pays employees an extra two months' salary a year, for holidays and Christmas money. For most business sectors, the average holiday and Christmas money is an extra month's salary.

In addition, employers put aside an average of DM8.30 per employee for "special payments". These include a one-off payment for company loyalty - usually starting when the employee has been with the company for more than three years. This bonus, often paid annually as a lump sum, increases in line with an employee's service.

Then there are special funds

to which employers agree to contribute in the *Tiervertrag*. For instance, a leading German news agency has a fund for correspondents in case of illness or retirement. This costs the employer an additional DM7.10 per employee, with a further DM5 paid into benevolent funds for family and other emergencies.

"You can see the kind of non-labour costs the employer has to pay," an official of the Employers' Association said yesterday. "It is becoming prohibitive."

Mr Scheremet argues that German unit labour costs - in domestic currency - have not risen more than the average in other industrialised countries. In addition, he said, if employers cut the non-labour costs, the government would be left with the problem of how to pay for social services.

Judy Dempsey

EUROPEAN NEWS DIGEST

González on campaign trail

Mr Felipe González, Spanish prime minister, set out on the campaign trail yesterday, confirming plans to hold general elections on March 3 and challenging voters to think twice before voting the conservative Popular party opposition into power. The latest poll published by the opposition newspaper *El Mundo* suggested that the ruling Socialists had recovered slightly since Mr González announced 10 days ago that he would stand for a fifth term as prime minister, but still lagged almost 9 points behind the PP.

At a press conference, Mr González fended off criticism of his decision to stage the elections simultaneously with regional voting in his home region of Andalusia, saying it would have been "ridiculous" to hold the contests on consecutive weekends.

The cabinet yesterday approved Ptas874bn (\$4.65bn) in spending cuts after being forced to roll over its 1995 budget into next year as a result of a budget deficit in parliament in October.

David White, Madrid

Iceland assures air travellers

There will be no disruption of transatlantic air travel if Icelandic air traffic controllers go ahead with a threatened walkout after pay talks broke down, civil aviation authorities in Reykjavik said yesterday. All 83 Icelandic air traffic controllers have handed in their resignations, effective at the end of the year, but authorities have used a legal provision to extend the contracts of 22 of the controllers for three months.

The Icelandic Civil Aviation Administration said yesterday a contingency plan for control of the Reykjavik Oceanic Area - which extends from Shetland to the North Pole and serves most flights between Europe and Canada, and to the US west coast - would ensure safety.

Reuters, Reykjavik

Row over Polish PM continues

The pre-Christmas storm raised by the treason allegations against Mr Józef Oleksy, Polish prime minister, by supporters of Mr Leszek Waleś, former president, looks like rumbling on into the new year as security officials seek the further evidence demanded by the military prosecutor's office before proceeding with the case.

Mr Andrzej Milczanowski, former interior minister, told parliament before leaving office alongside Mr Waleś that security service evidence showed Mr Oleksy had long passed information to foreign intelligence until becoming prime minister in March 1991. Mr Milczanowski did not name the country involved but, judging by Mr Oleksy's denials, the allegations involved his past contacts with Soviet and Russian diplomats.

Yesterday Mr Józef Oleksy, State Protection Office deputy head, said it had until January 30 to provide the information demanded and "will not have a problem filling out these details".

Anthony Robinson

Romania seeks extradition

Romania will formally ask Hungary to extradite the Romanian owner of a private company who allegedly took some \$24m (\$12m) from 2000 investors, Romanian police said yesterday. Police in Bucharest took Mr Sergiu Bahalan into custody on December 22, following a warrant issued by Romanian police last month, when Mr Bahalan and another three partners in his private company Bahalan Product SRL went missing. Some 800 Romanians complained they did not get promised returns on deposits in dollars and D-Marks, which they said they had paid to invest in Mr Bahalan's company.

Reuters, Bucharest



Charles Schwab, discount broker pioneer, picked up his first copy of *Forbes* at his father's law firm in 1959.



Larry Ellison, founder and CEO of Oracle, started reading *Forbes* as a computer programmer in 1972.



Michael Dell, founder and CEO of Dell Computers, borrowed his first copy of *Forbes* from his mother in 1978.

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CAPITALIST TOOL

Red tape may drive Taiwan tycoon to China

By Peter Harmsen in Taipei

Mr Y.C. Wang, Taiwan's most powerful industrialist, is on a collision course with the island's government, threatening to shift new investments to mainland China out of frustration with the authorities' red tape.

Fresh from a visit to China, Mr Wang, head of the \$12bn Formosa Plastics group, said his constant run-ins with government and environmental groups could force him to set up camp on the mainland.

His threats will not surprise the Taiwanese government. He has been exercising brinkmanship for many years, but such is his clout - he is the head of Taiwan's biggest industrial conglomerate - he commands attention.

Mr James Soong, provincial governor of Taiwan, blamed government policies and excessive red tape for pushing Mr Wang to the edge. In earlier disputes between the businessman and environmental groups over the siting of a naphtha cracker plant in Taiwan, Mr Wang had chosen a well-known beauty spot for the plant but was forced by a government agency to locate it on an industrial estate.

His China plans may include locating part of the group's proposed production of electric cars in China. The Formosa group has signed an agreement with Royal, a Michigan-based company, to obtain battery technology for the project, aimed at an annual production of 200,000 cars.

At the same time, Mr Wang was reported by local media as saying that Formosa Plastic was planning to build two power plants in Fujian province on the mainland.

Mr Wang has apparently dismissed reports that the group was reconsidering a project to build a \$7bn petrochemical complex in China. The group abandoned that plan in 1991 after it was persuaded by the government to set up the complex in Taiwan.

Although the authorities give the patriarch Mr Wang due respect, relations between the two parties are cool. Unlike the island's other tycoons, Mr Wang is not identified with Taiwan's ruling Kuomintang.

His snapping at government heels and his extraordinary physical fitness - in January Mr Wang, who turns 79 next month, took part in a 5km race, clocking up a time of 41 minutes - have earned him a high public profile.

His legendary frugality underpins his success and has helped him amass a personal fortune of \$2bn.

His commercial success has earned him the title of "The God of Management". The Wang philosophy means a tough, traditional management style, which has little provision for workers who, for instance, leave early on a Saturday, though this is common in Taiwan.

US data held up by budget dispute shutdown

By Patti Waldmeir in Washington

Efforts to resolve the protracted US budget dispute continued yesterday with no early agreement in sight, while government departments were forced to delay the release of market-sensitive economic figures because of staff shortages caused by the partial government shutdown.

More than 280,000 federal workers

remained at home yesterday for the 13th day, kept away from work by the fact that, until a budget accord is reached, Congress is preventing the funding of some government departments.

Low-level budget talks between the White House and congressional negotiators were continuing yesterday, with negotiators saying that President Bill Clinton could meet senior congressional figures tomorrow, if progress warrants a

meeting. But Mr Bob Dole, the Senate majority leader, gave the negotiators' efforts only a "50-50" chance of success, and a Clinton administration official said that, even if a framework for a budget deal is agreed by the weekend, it was unlikely that federal workers would return to work by the start of business next week.

The effect of staff shortages became more apparent yesterday

when the Department of Labor, which normally releases weekly employment statistics on Thursdays - figures which usually move markets - issued no report.

It said reports on December unemployment, and consumer and producer prices, originally scheduled for release early next month, would also be postponed.

Data for the December economic reports had been collected before the shutdown, but could not be

processed until employees returned to work.

Similarly, market-sensitive trade figures, due to be published last week, have not been released. At the Department of Commerce, a recorded message informed callers that many offices were closed because of the shutdown.

Traders said lack of data had dampened activity in financial markets since the shutdown, but had led to no big market movements.

But for most Americans, the main impact of the closure has been on tourism, with leading attractions closed, and the issue of US passports stopped except for emergency cases.

White House Press secretary Mike McCurry said Mr Clinton was concerned that a continued shutdown could hit more politically sensitive areas such as the payment of prison guards and the delivery of "meals on wheels" to the elderly.

Canada's fragile sense of nationhood may soon face another serious test

Some observers fear that fiscal virtue could exact a high political price, Guy de Jonquieres reports

Less than two months after Quebec voters narrowly rejected independence, Canada is experiencing the first twinges of concern that its ever-fragile sense of nationhood may soon confront another, equally serious test.

The unease grows out of a development which has so far generated rare national unity: the deep government spending cuts dictated by unsustainable budget deficits and high debt levels.

Despite a 9.4 per cent unemployment rate and weak domestic demand, opinion polls show strong public support for the swinging austerity measures announced by Ottawa and many provinces in the past year.

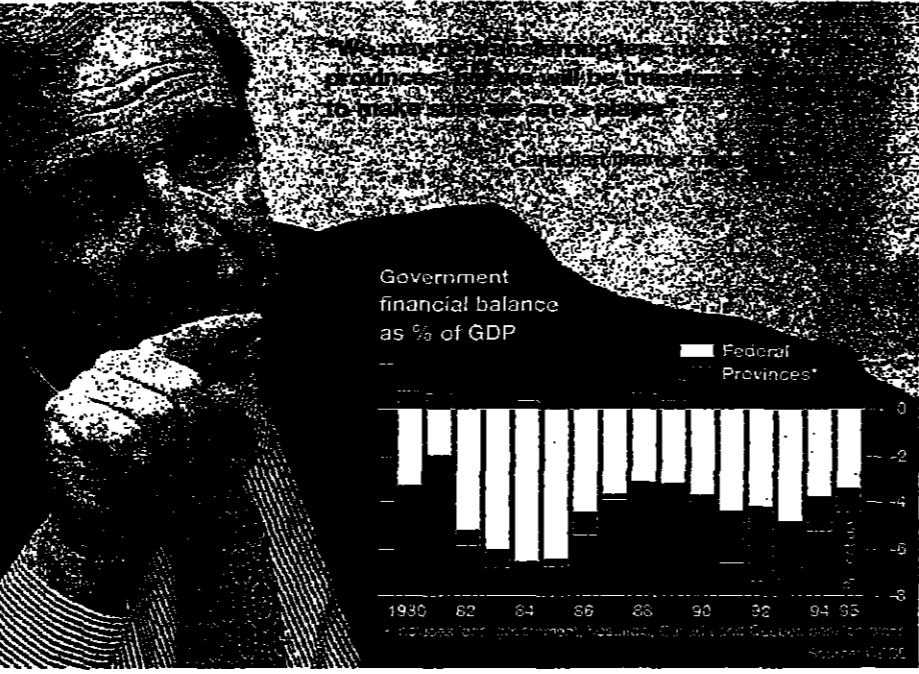
But some Canadians fear fiscal virtue could exact a high political price, by weakening Ottawa's power to bind the country together by keeping the 10 provinces moving in broadly the same direction.

The main instrument of control has been federal transfer payments for services such as health, higher education and welfare. These provided as much as 40 per cent of provinces' revenues last year.

Central government has long relied on threats to deny funds, or promises of sweeteners, to get its way. But it now plans to reduce total payments and to make more of them as block grants, which provinces may spend as they wish.

Even the Business Council on National Issues, a business organisation which is urging Ottawa to wield the budgetary axe yet more boldly, sees political risks if the process is pushed too far.

"The problem is that as transfer payments are cut, provinces will start to ask why they should still obey the federal government," says Mr Sam Boutdouris, the council's chief economist. He fears this



Government financial balance as % of GDP

could cause the provinces, many of which view the others more as rivals than allies, to pursue more divergent courses.

Dr Archibald Ritter, of the economics department at Ottawa's Carleton University, says: "If we survive as a nation, I think it will be as a much looser federation than any of us thought possible 10 or 20 years ago."

Mr Paul Martin, Canada's finance minister, dismisses such fears as overblown. "We may be transferring less money to the provinces, but we will be transferring enough to make sure we are a player," he says. Cash transfers for education are being stabilised, while poorer provinces are set to receive higher "equalisation" payments, to even up public

service standards nationwide.

But some independent economists, such as Mr Jim Franke of the Conference Board of Canada, a business and policy research group, think spending will need to be cut even more deeply if the country's public finances are to be redressed.

Mr Franke predicts that spending cuts planned so far will reduce total federal and provincial debt to only 95 per cent of gross domestic product by the year 2000, from 100 per cent today.

"We are only on step two of a 10-step ladder. The really tough sleighing is yet to come," he also points out that most cuts announced so far will only take effect next year (1996).

"Much may depend on what happens when the axe falls, and talk of widespread closures or mergers of schools, hospitals and university departments becomes harsh reality."

Observers think a public backlash could occur. They point out that the government of Alberta, the first province to slash its budget drastically, recently bowed to opposition to planned reductions in health-care spending.

Others believe financial market pressures on Canada's debt-laden public sector make sustained spending cuts unavoidable. They worry that the result could be to drive the provinces still further apart.

Noting that Ontario generates 40 per cent of national output and a similar share of federal tax revenues, one official in Ottawa mused: "For how

INTERNATIONAL NEWS DIGEST

Wei Jingsheng appeal rejected

A Chinese court yesterday rejected the appeal of dissident Wei Jingsheng and upheld his 14-year prison term for plotting to subvert the government.

"The appeal was unreasonable and had to be rejected," the official Xinhua news agency quoted Chief Judge Wang Yi of the Beijing People's Higher Court as saying. Wei, 45, has no more appeals. "This is the final trial," Chen Xiong, the court spokesman, said.

In Paris, a Foreign Ministry official voiced disappointment and demanded Wei be released. Wei's family denounced the trial and said they planned to take legal action against the courts for dereliction of duty. The 1985 Nobel Peace Prize nominee now begins his second long jail term. He was expected to be held in solitary confinement, as in the past, diplomats said. Wei will be eligible for parole after serving half of his sentence, lawyers have said. He was first imprisoned in 1979 for "counter-revolutionary incitement", advocating change and passing purported military secrets to a foreign reporter.

Reuters, Beijing

Japan motor industry record

Japan's motor industry bought US components worth a record \$10.3bn in the six months to September 30, according to the Japan Automobile Manufacturers' Association. The purchases, an 8.3 per cent increase on the same period in 1994, may help to ease trade frictions between the two countries, which agreed on a package of measures to encourage purchases of US-made motor components in August. The April-September 1995 figure is well ahead of the previous record of \$9.5bn for the same period last year. But only \$1.7bn of this represents direct sales of US components to the domestic Japanese motor industry, an increase of 9.8 per cent over the same period in 1994. The remainder is made up of purchases by Japanese car makers in the US of locally-made parts and materials, up by 8 per cent.

Haig Simionian, London

Philippines to buy Boeings

Philippine Airlines (PAL) plans to place orders for aircraft worth \$3bn from Boeing of the US and Airbus Industrie, a company official said yesterday. The order is expected to comprise eight Boeing 747-400s and 24 aircraft from Airbus: four four-engine widebody units, eight twin-engine A330s and 12 A320 mid-range aircraft.

Airbus groups France's Aérospatiale, British Aerospace, CASA of Spain and the Daimler-Benz Aerospace arm of Germany's Daimler-Benz.

Reuters, Paris

Taiwan revises money target

Taiwan's central bank yesterday revised downwards its target range for M2 money supply growth from 10-15 per cent to 9-14 per cent. This was the first downward revision since 1989 by the bank. Mr Chen Yongding, the bank's governor, said M2 growth averaged 10.3 per cent for the first 11 months of 1995, within the target range. M2 growth has been declining and in November this year M2 grew just 8.37 per cent over the previous November, the lowest year-on-year figure ever recorded for a single month.

Peter Harmsen, Taipei

Indian trade deficit doubles

India's exports for April-November grew 24.47 per cent to \$19.8bn against \$15.9bn for the same period in 1994, Ministry of Commerce figures released yesterday show. Imports grew 31.44 per cent, to \$23.1bn. Higher imports have pushed the country's trade deficit to \$3.28bn, more than double last year's figure of \$1.5bn. Petroleum, oil and lubricant imports, which traditionally account for nearly a quarter of India's total imports, increased 15.03 per cent to \$4.2bn. Non-oil imports, of which capital goods continue to be a substantial component, rose 33.8 per cent.

Mr P. Chidambaram, commerce minister, has unveiled a new short-term export strategy to increase India's share of global trade from 0.8 per cent to at least 1 per cent by the year 2000. The minister has identified 15 items for export to as many countries and said the current export effort was "spread too thin".

Shiraz Siddiqui, New Delhi

Iraq tightens traffic controls

Iraq has tightened controls over traffic and communications links with Jordan following moves by Amman against President Saddam Hussein's government. Baghdad has doubled the exit fee Iraqis must pay to 400,000 Iraqi dinars (\$150); the approval period is now a month instead of 10 days. The move has dealt a blow to passenger traffic, already curtailed since relations soured when King Hussein gave refuge to two defecting senior Iraqi aides in August. Before the new controls, some 150 passengers arrived daily from Iraq to Jordan. "The number has now almost dropped to zero," the owner of a bus service from Baghdad said.

Reuters, Amman

Call to move Okinawa trial

A Japanese court yesterday postponed a final hearing in the trial of three US servicemen until early next year, after one of them requested the hearing be moved from Okinawa, because of "growing sentiment" there against US bases. Prosecutors were to have demanded a specific sentence; the servicemen are accused of raping a schoolgirl.

Reuters, Tokyo

Most citizens are used to conscription, but many are unaware their prized vehicles can be called up too

Israeli military sets sights on civilian off-roaders

By Mark Dennis in Jerusalem

Trading up from a sedan to the urban status symbol, the four-wheel-drive, off-road vehicle can have unforeseen consequences for Israelis.

Unknown to many in the Jewish state, in case of an "emergency" (war) the military can conscript all private vehicles over a certain size and weight.

In the past this meant mostly trucks and buses, for few Israelis owned private off-road vehicles. But Israel's rapidly rising per capita

income has created a new wealthy class that is flexing its purchasing muscle and buying, among other things, off-road vehicles such as Land Rovers, Mitsubishi Pajeros and Toyota 4-Runners.

As with owners of other heavy vehicles, they are required to register their prized and expensive vehicles (which, thanks to high taxes, can cost more than \$80,000 with the Israel Defence Forces. Moreover, every four years they must report for call-up exercises to measure the time it takes to get to their assigned units.

Until the recent proliferation, the military did not bother too much with private off-road vehicles. "The army used not to hassle the private off-roaders because there were so few," said Mr Yoram Izy of Eastern Automobile Company, which imports Land Rovers. "But suddenly they came up like mushrooms."

These luxury utility vehicles, which rarely make it much beyond north Tel Aviv, are the perfect command vehicles for the desert tracks and mountain trails that ring Israel's borders. The IDF stressed the

vehicles were not used in peacetime. But, according to the IDF spokesman, "with the rise in the number of off-road vehicles in the country over the past year, we have expanded their assignment to the emergency list."

Israelis are used to the idea of conscription. Every male must serve for three years and every female for two. Men must do one to two months' reserve duty every year as well. But private vehicles?

Apparently few Israelis even knew about the requirement, which has its antecedents in emergency laws dat-

ing back more than 20 years, until the Israeli media picked it up this week. Since then, there has been a murmur of disapproval toward what many consider an anachronistic law from a time when Israel was under siege from its neighbours and few of its citizens owned cars.

Many see the law as ridiculous and others are simply dismissive. "The army gave me a note saying I have to appear at such and such a place in case of an emergency. I threw it away," said one owner of a Land Rover Discovery with a laugh.



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MONDIAL ASSISTANCE

سكرا س الراجيل

Tory chief raises cold war spectre

Mr Brian Mawhinney, chairman of the governing Conservative party, made a suggestion yesterday that victory at the next election for the Labour party could leave Britain at the mercy of a resurgent Communist Russia. George Parker writes at Westminster. As senior Conservatives warned party workers to prepare for an election next year, Mr Mawhinney exhorted the language of

the cold war in a surprise new tactic in the fight against Labour. In his new year's message to the party, Mr Mawhinney said Mr Tony Blair, the Labour leader, would hand British sovereignty to Brussels. He also recalled the Labour leader's membership of the parliamentary Campaign for Nuclear Disarmament in the 1980s. "With communists back in prominence in Russia, Britain could never feel safe with a former CND member in 10 Downing Street," Mr Mawhinney said.

Mr Blair's aides reacted with astonishment at the attack, which they claimed showed the Conservatives were unsure how best to attack the Labour leader. "To suggest that Tony Blair is some kind of unreconstructed leftie is incredible," one said. Both Mr Mawhinney and Mr Michael Heseltine, deputy prime minister, made clear that their party could be forced into an early general election if its House of Commons majority, now down to five, continues to dwindle. Mr Heseltine

said he wanted the government to run its full term to allow the economic recovery to feed through to people's pockets, but added that the party was ready to fight at any time. "The Conservative party will increasingly become a fighting machine as opposed to a government administering the country," he said. In an interview with ITN, Mr Heseltine rebuffed calls from Tory Eurosceptics for a Conservative commitment not to join a European single currency in the lifetime of the

next parliament. He said Britain would disqualify itself from shaping economic and monetary union if it ruled out adoption of the Euro. "I think it would be inconceivable we would abandon our position at the conference table," he said. His comments reinforced the position of Mr John Major, prime minister, but infuriated MPs on the Conservative Right, who believe that outright opposition to the Euro could be a vote winner at the next British election.

UK NEWS DIGEST

Drugs link is alleged in Ireland killing

The man shot dead in front of his three-year-old son in Northern Ireland on Wednesday night was shot in the legs as punishment by the Irish Republican Army, seven years ago, police disclosed yesterday. An organisation calling itself Action Against Drugs admitted responsibility for the killing in his Belfast home of Mr Martin McCrory, a 30-year-old small-time criminal described by police as a burglar and car thief with little involvement in drugs trafficking. He was the sixth man shot dead in Northern Ireland since ceasefires were declared late in 1994 by the IRA and its anti-nationalist rivals. Mr David Trimble, head of the Ulster Unionist party, said: "It is a matter of major concern that there now is a return to violence after nationalists assured us of a permanent peace. The government and those nationalists promoting the peace process must come clean on this. They have got to face up to what is going on and see how they can help the authorities bring it to an end." Mr Trimble's party is the largest pro-British party in Northern Ireland. Most of the victims of the IRA's previous killings were suspected drug dealers, and the attacks were apparently part of a so-called republican purge. Republicans have also been blamed by police for 187 so-called "punishment beatings" since the IRA ceasefire. *PA News*

London Line extension of the London Underground railway into the area would be beyond the franchisee's control. Docklands Light Railway acknowledged there were "certain risks" and said the franchise would be structured to place those risks on "the party best able to manage them", while the remuneration package would act as an incentive to the franchisee. The franchisee is likely to be chosen in the autumn. *John Authers, Public Policy Staff*

Sales of tickets exceed \$7.8bn in first 13 months

Sales of National Lottery tickets have exceeded \$7.8bn since their launch 13 months ago, said Camelot, the consortium which organises the lottery. Sales of weekly tickets have reached a total of £1.7bn, while sales of the nine scratch-off games have totalled £1.3bn. Winnings so far have totalled £2.3bn and £1.8bn has been raised for good causes. The Treasury has taken £200m in tax from the lottery, and £250m has been paid in commission to the 28,000 retailers who sell tickets.

Words associated with the lottery are to be included for the first time in dictionaries of English. Chambers, Collins and the publishers of Oxford English Dictionaries say their next full editions will contain scratchboard and rollover. Chambers will define scratchboard as "a form of lottery card with a thin opaque film which is scratched to reveal the allocated numbers printed beneath". Rollover is the term used when the winning number for the top prize for a week is not bought so that the prize is added to the following week's top prize. "The impact of the National Lottery on the language has been remarkable and a number of spin-offs has occurred such as 'scratch-card'," said Mr Martin Mellor, editor of Chambers dictionary. *PA News*

Opera house project not dead, say promoters

Trustees of the proposed Cardiff Bay opera house in south Wales said the project was not dead despite rejection last week by the Millennium Commission of their £50m (£78m) bid for funding. Miss Jennifer Page, the commission's chief executive, said the reasons for its decision included doubts about its financial viability. Miss Page said the bid had been looked at very carefully and "it was very sad to have to turn it down." *Roland Adolphson, Cardiff*

Two companies aim at London rail franchise

The London Docklands Light Railway, which is to be franchised to the private sector for seven years from next year, says it has received strong expressions of interest from two bus companies - Stagecoach East London and Central London Bus Company. Earlier this month, Stagecoach, Britain's largest bus company, bought South West Trains from the national state-owned network on a seven-year franchise. Potential bidders for the Docklands system, which is outside the national network, were concerned about the changing market. They said the pace of development in Docklands and the timing of the opening of the new

Pollution by vehicles heads environmental worries

Air pollution by road traffic heads popular environmental concerns in the UK, says a poll by Friends of the Earth, the environmental pressure group. This was closely followed by pollution of water and air by factories and industry. When asked who should be responsible for solving the country's environmental problems, 78 per cent said the government, industry and individual behaviour came equal second with 46 per cent.

David Lascelles, Resources Editor

Jack and Jessica reach the top: Jack and Jessica were the most popular names for babies born in Britain in 1995, says a survey by the Office of Population Censuses and Surveys of all births registered in the year. Jack and Jessica were third in the 1994 league. Lauren was second favourite for girls for the second successive year while Rebecca dropped from first in 1994 to third in 1995. Thomas fell from first to third in the boys' league. New entries to the top 50 were Kayleigh for girls and Charlie for boys.

Trades Union Congress

Single currency for EU wins strong support

By Robert Taylor, Employment Editor

The Trades Union Congress will campaign strongly next year for UK membership of a European monetary union in spite of growing doubts inside the Labour movement.

Mr John Monks, the TUC's general secretary, said in an interview that he wanted to reach agreement with the Confederation of British Industry on pressing for economic and monetary union as part of a move to develop closer accords with employer organisations. "The prospect of not being in Ecu would be very dispiriting for British industry," he said. "The TUC is the most pro-European of our major national institutions. We want to see positive signs that we will be at the core of any Ecu."

He says monetary union is essential to ensure economic stability in Europe and to increase employment. He opposes relying on competitive devaluation as a way to manage the British economy. "It gives the wrong note," he said. "Our role as a reluctant participant in the EU has not served the country well."

The Labour party, which has close links with trade unions, is widely seen as more enthusi-

astic about the EU than the government. But leading Labour figures have indicated that a Labour government would probably not sign up to join a single currency in 1999.

Mr Monks wants the country's employers to become "social partners" in the mainland European sense. "Social partnership cannot be imported intellectually," he said. "It must reflect a national will." But the EU will have to develop a much stronger commitment to reducing unemployment if it hopes for widespread popular consent to the introduction of a single currency, he added.

Mr Monks wants unions to co-operate with employers to develop joint policies. He wants in particular a voluntary code of good labour standards in the best UK companies that would set an example for the rest of industry.

Mr Monks believes it may take some time to develop the kind of understanding he wants with employers. He also believes it will require the help of the EU and a future Labour government. But he said: "British industry has had it too easy in the past. It has too often taken the soft option. A single currency will require vigour and discipline."

The economy Cabinet expected to ratify rises soon

Fear of long pay conflict in public sector recedes

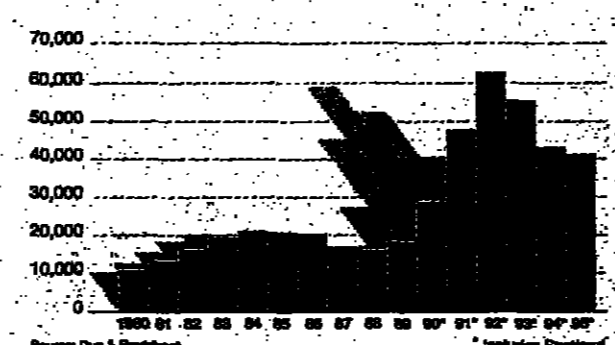
By Our Employment Editor

The 1996 pay round in the public sector may prove more trouble free than expected. Even senior union leaders believe the prospect of widespread industrial conflict among most of Britain's 5m public service workers over the coming months looks unlikely despite evidence of low morale and dissatisfaction among many of them.

"If ministers show a little bit of flexibility they should be able to avoid trouble next year despite the existence of the public sector pay bill freeze," said Mr John Edmonds, general secretary of the GMB general union, which has many members in the state health service and in municipal authorities. "The government is running a funding policy not an incomes policy in the public sector," explained Mr Chris Trinder, chief economist at the Chartered Institute of Public Finance and Accountancy. "This means that ministers have the scope to improve pay by cuts in non-wage spending plans."

The cabinet is expected soon to ratify pay rises to be recommended by review bodies that cover 1.5m public service staff including nurses, midwives, doctors, dentists, senior government officials, military personnel, judges and teachers even though they are expected

Total business failures



Fewer businesses failed in 1995 than in the previous year, but the rate of decline in the total is slowing, says Dun & Bradstreet, a leading business information group. While failures among small companies dropped, large company bankruptcies increased 51% year for the first time in three years. Dun & Bradstreet said many of the problems of large companies could be blamed on the recent decline in exports. The failure of large companies was particularly pronounced in London, and more than 6,000 failed in 1995 compared with 4,700 in 1994.

to be above 3 per cent. Fire-fighters and police have already secured similar rises thanks to long-standing pay formulae that cover their pay. The rate of inflation fell from 3.2 per cent in October to 3.1 per cent last month.

The big set-piece negotiation in 1996 will be for the country's 1.5m local government workers and blue-collar workers and white-collar staff bargaining together for the first time. Skill shortages: An increasing number of employers in the

state health service and municipal government are finding difficulties in filling vacancies for skilled jobs, says an annual survey from Incomes Data Services, the independent research body. Most of the 76 health service organisations and a third of the 56 municipal authorities questioned said they faced problems recruiting and retaining employees. The most frequent shortages in the health service are for physiotherapists, occupational therapists and psychologists.

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الرياض ١٤١٦

The FT REVIEW of

"Straight along this road. You can't miss it. It's the big building with a rope ladder hanging over the wall"
Isle of Wight police officer, asked for directions to Parkhurst prison

"Those loan guarantees are about saving faces, fannies and fortunes of morons who, for the second time in a generation, plunged vast slices of America's wealth into Latin regimes - only to be fleeced and burned like country bumpkins."
Patrick Buchanan

"In criticising the political views of Patrick Buchanan, Mr Bennett said 'it's a real us-and-them kind of thing,' not, as we reported, 'it's a real S&M kind of thing.'"
The New Yorker

"Jill will go down in history as the Joan of Arc of retail."
Brighton Bardot on Jill Phillips, killed during animal rights demonstration

"Hungarian meat producers merge, seek BSE listing."
Reuters

"The old lady inside the chalet got the shock of her life. It's not a common thing to have cows landing on your roof."
Coastguard spokesman in Branscombe, Devon

"I guess the lesson is that 79-year-olds shouldn't be rollerblading."
Widow of retired US diplomat Angier Eddie Duke, who died during that pursuit

"Watch that Oprah woman and it just gives you ideas. Can't follow up on half of them, of course. Wish I'd known about them when I was a bit more agile."
Roland, 85, interviewed in Guardian about sex and the senior citizen

"My place looks like a bachelor flat, but that would be wrong. I don't think you can be a transvestite and a bachelor."
Comedian Eddie Izzard

"I've been to London today and the streets of London are full of fruits and vegetables."
Derbyshire greengrocer Brian Godfrey after being ordered to remove a pavement display

"I'm buggered if I'm going to spend the summer suing Back."
Tiny Rowland abandoning a legal action against his erstwhile ally at Lloyds

"I hope members of the government use their intelligence... and keep their belt buckles fastened and their zips up."
Tory conference delegate Matthew Jeffery

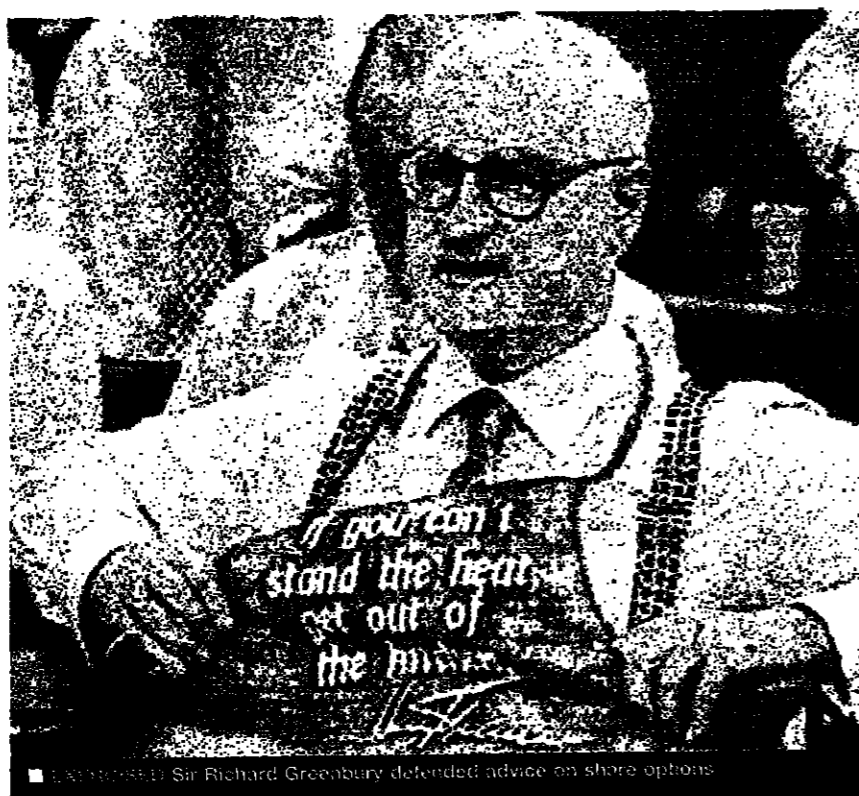
"From my husband and watching Channel Four."
Silvana Ashby explaining where she had learned the swear words discussed during the Tory MP's unsuccessful libel action

"It is time to put up or shut up."
John Major

"Brussels should let some sleeping dogs lie, and should learn that you cannot harmonise the dachshund and the English bulldog by cross-breeding."
John Redwood

"It would be an odd twist of fate to create a new One Nation party when you have destroyed your own."
Lord Prior reviewing Lady Thatcher's "The Path to Power"

"She's a fading old fascist as far as I'm concerned."
Australian legislator Richard Jones after walking out on Lady Thatcher



■ Sir Richard Greenbury defended advice on share options



■ Kobe earthquake shook Japan's confidence



■ Hate talk turned to violence in Oklahoma City

Disconnected
Lord Young
James Ross
Wrapped
Reichstag
Snapped
Quaker Oats

All-male
productions
As You Like It
Swan Lake
Cadbury 2
committee

Out for a bout
Mike Tyson
Headbanger
Richard
Holtbrooke

Got on
Renato Ruggiero
Javier Solana
David Trimble
Got back
The Beatles
Got lost
Humphrey

New wine in old
bottles
Alexander
Kwasniewski
Gennady
Zyuganov
New West in old
battles
Jörg Haider



■ Hugh Grant gave the patient a field day



■ Jacques Chirac succeeded Francois Mitterrand, but France found that plus ça change...



■ Rugby triumph spanned racial divide

Non-starters
Dr Henry Foster
Schengen
Colin Powell
Non-finishers
Mick Newmarch
Edouard Balladur
Rudolf Scharping
Pete Wilson
Arian Specter
Willy Claes
Robbie Williams

In a hole
Eurotunnel
In the pits
Coal investments

Take or pay
British Gas
Take the pay
Cedric Brown

He, heb je nog
werk?
Roud Lubbers

Dynedwch
Iwanw I Iwanw
Alfonseid, John
Redwood

"Our country is
based on one
currency, one
parliament, a
common
language, one
common law."



■ John Major was accused of misquoting Blair

JANUARY

Newt Gingrich becomes the first Republican Speaker of the House in 40 years and celebrates by reading extracts from the Contract with America. Maurice Saatchi leaves Saatchi & Saatchi to found the New Saatchi Agency, while Andy Cole leaves Newcastle United for Manchester United for £7m, a record transfer fee involving a British football club. The figure is topped three times before the end of the year.

An earthquake in Kobe kills 6,000 people. No one had predicted the quake, in spite of the hundreds of billions of yen that Japan spends on earthquake research and safety measures each year. Russia destroys much of Grozny, getting the better of a war against Chechen separatists, while Mexico's December devaluation triggers a full-fledged financial crisis and a \$50bn bail-out orchestrated by the US.

FEBRUARY

Barrings collapses after it emerges that Nick Leeson, a 28-year-old futures trader from Watford, has hidden away £800m in losses on secret trades. Leeson flees Singapore for Malaysia. "It's all deeply horrid," says one executive.

Flooding on the Rhine continues, and forces about 350,000 people in western Europe to evacuate their homes. Newt Gingrich rules out standing for president. Nine months later he will announce that he is ruling it out again.

An embattled John Major asks for "time" and "trust" for talks on the future of Northern Ireland to succeed. Ulster Unionists proclaim the talks "dead" after a draft of the UK-Irish proposals leaks, but talks drag on all year. England football fans cause a match against Ireland in Dublin to be abandoned by rioting while chanting "No surrender to the IRA". Dow Jones Industrial Average breaks 4,000.

Michael Heseltine, at this point still merely trade and industry secretary, kicks off a year of action in the utilities sector. He says he will not refer Trafalgar House's hostile £1.2bn bid for Northern Electric to the Monopolies and Mergers Commission. But Trafalgar loses heart and withdraws from battle, a retreat beginning a year-long rout for the conglomerate.

MARCH

NG, the Dutch banking and insurance group, buys Barrings for £1, prompting one man to call Barrings the next day is arrested at Frankfurt airport on his way back to Britain and spends most of the rest of 1995 in a Frankfurt jail.

Another man blamed for financial collapse is former Mexican president Carlos Salinas. As his economic miracle turns out to have been a mirage, he first starts a hunger strike and then flees abroad as the peso keeps falling. Another man travelling to the US is Gerry Adams, leader of Sinn Fein, granted a visa for a fundraising mission.

In the departure lounge, meanwhile, were Tiny Rowland, removed from the board of Lloyds after 34 years running the company; Winnie Mandela, sacked from the South African cabinet by her estranged husband; and Rupert Pennant-Rea, who resigns as deputy governor of the Bank of England after an affair with a journalist, conducted partly within the Bank itself.

An embattled John Major has to defend Jonathan Aitken, chief secretary to the Treasury, against allegations that he was implicated in sales of arms to Iran. The High Court approves the merger between the Halifax and Leeds Permanent building societies. A nerve gas attack on the Tokyo subway, allegedly carried out by the Aum Shinri Kyo cult, kills 12 people.

APRIL

A car bomb destroys a federal office building in Oklahoma City, killing 167 people. Media suspicion turns at first to Muslim fundamentalists, but later right-wing militiamen from the heart of America are arrested. US citizens discover that thousands of their compatriots are arming themselves against the government, which they think is trying to destroy the country. Meanwhile the dollar just keeps falling against the yen. It reaches new postwar lows, at times sinking below ¥80.

Yet the US continues to enjoy low inflationary growth, as does the UK. Imperial Chemical Industries embodies the good fortune of much of British manufacturing, reporting a 137 per cent rise in pre-tax profits for the first quarter.

Despite this John Major remains embattled. After he restores the Tory whip to a group of MPs expelled from the party for Euroscepticism, they return saying they plan to keep fighting. Also, Labour finally abolishes Clause Four, its commitment to nationalisation. The government does celebrate "another triumph for deregulation", as it sweeps away a 200-year-old restriction on "public dancing" on Sundays. Few Britons make immediate use of their new freedom.

Bosnian Serbs and Muslims reject a United Nations appeal to extend their four-month ceasefire.

MAY

British investment banking continues its vanishing act, as Swiss Bank Corporation takes over S.G. Warburg's investment banking business for £860m. Jacques Chirac takes over the French presidency from Francois Mitterrand. Carlos Menem becomes only the second Argentine president to be re-elected, and Will Carling is reinstated as England rugby captain after he is briefly sacked for saying the sport is run by "67 old farts", who seemed intent to live up to their billing.

There is less cheer for an embattled John Major, as in local elections the Conservatives lose 2,027 seats, almost half the number they contested. Major says resigning is "not on my mind".

When he visits Londonderry, clashes between Sinn Fein supporters and police compel him to change his schedule at the last minute. But Sinn Fein has its first face-to-face talks with the British government for 23 years; Martin McGuinness and Northern Ireland minister Michael Ancram do the honours.

Intuit? Out of it, says Microsoft, dropping \$2bn bid for US software house. Fugitive German financier Jürgen Schneider is arrested in Miami, with a tan where he once had a toupee. New Saatchi, agency set up by Maurice Saatchi, snags the British Airways account from Saatchi & Saatchi. Blackburn Rovers win England's football Premiership.

JUNE

Fed up with being embattled, John Major resigns as Conservative Party leader and tells his critics within the party to "put up or shut up". He may have been expecting a challenge from an exiled no-hoper such as Norman Lamont, but the man to put up is heavyweight Welsh secretary John Redwood, who resigns from the cabinet to stand. Douglas Hurd compounds Major's worries by resigning as foreign secretary. Britons are more interested in Hugh Grant, the actor arrested for performing a "lewd act" in a car in Los Angeles.

Japan admits that problem loans at its banks total ¥40,000bn, about 10 per cent of its GDP and far worse than previously thought. ITT, the US corporation that embodied the conglomerate, says it is to split into three parts.

Shell, bowing to public pressure, shelves its plan to sink the oil storage platform Brent Spar in the Atlantic. The company apologises to John Major, who had defended the sinking. Salomon Brothers also bows to pressure, abandoning a plan to cut salaries of its highest earners by as much as two-thirds after some of the high earners resign.

South Africa wins the rugby World Cup, and Nelson Mandela appears on the field before the final wearing a Springbok jersey. The Financial Times starts printing in Leeds.

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FINANCIAL TIMES COMPANIES & MARKETS

Friday December 29 1995

MoDo
PULP, PAPER & PAPERBOARD

IN BRIEF Banks to acquire 6% of Mediaset

A consortium of Italian banks is expected to agree by Saturday to buy 6 per cent of Mediaset, the company containing the television interests of Mr Silvio Berlusconi's Fininvest business empire. A seventh bank, the state-owned ENI, has indicated it would like to buy a stake of about 1.5 per cent through Alibonco, the joint venture it formed earlier this year with British Telecommunications. Page 14

Bloomington's chain heads west
Federated Department Stores, US owner of Bloomington's and other department store chains, plans to launch its upmarket Bloomington's chain in California next year in what will be only the second time the Bloomington's chain will have ventured west of the Mississippi river. Page 14

French TV chief takes starring role
Mr Patrick Le Lay may not look much of a media star, but the chairman of TF1, the commercial television station which gathers the highest audiences in France, has recently had his fair share of time in the spotlight. Page 14

Canada's retailers in Christmas doldrums
The atmosphere in Canada's shopping malls has been as frantic as usual this festive season. The difference is that most of the pushing and pleading has come not from shoppers seeking last-minute gifts, but from retailers desperate for sales. Page 16

Importers embark on feud rule crusade
Commodity importers are to meet representatives of UK ports next week to try to convince them to remove from their rule books a medieval practice, which allows ports to impound a cargo to offset a shipowner's debts, even though the cargo is legally owned by the importer or exporter and not the shipping line. Page 17

Land Rover output leaps on overseas sales
Land Rover, the four-wheel-drive vehicle maker owned by BMW of Germany, surpassed its own forecasts and built more than 127,000 units this year. The 35 per cent rise on 1994 levels reflects strong growth in overseas demand. Page 18

Granada to campaign on Forte bid rationale
Granada is planning a campaign next week to remind Forte's shareholders of the reasoning behind its £3.3bn (£3.06bn) hostile bid for the UK's biggest hotels group. "When you get back to the basics we have put a very attractive offer on the table," said Mr Charles Allen, (left), chief executive of the television, catering and leisure company. Page 18

LAL agrees sale of German offshoot
Lloyds Abbey Life has sold its longstanding German subsidiary, Transatlantische Lebensversicherung, ending a three-year search for a buyer. Page 18

Company in this issue
Alkermes 4 Hollinger 14
Amrad 18, 19, 20 Home Depot 14
Autolatina 13 Hudson's Bay 16
BMW 13 Hyundai 1
Boeing 4 Interim 16
Cetus Logic 13 Land Rover 18
CompuServe 1 Lloyds Abbey Life 18
Deutsche Telekom 3 Lloyds TSB 18
FedEx Dept Stores 14 Mediaset 14
Fininvest 14 Philippines Airlines 4
Ford 13 Sportmart 18
Formosa Plastics 4 Sports Authority 18
Forte 18 Sunco 14
France Telecom 14 TFI 14
Française des Jeux 2 Tekelec 13
Gaz de France 14 Transocean 18
Granada 18 Volkswagen 13
HDI 18 Wai-Mat 18

Market Statistics
Financial reports service 26.21 FT-SE Actuaries Index 24
Benchmark Gold bonds 16 Foreign exchange 18
Bond futures and options 16 Gilt prices 18
Bond prices and yields 16 London share service 22.21
Commodities prices 17 Managed funds service 22.23
Oil prices 16 Money markets 18
S&P 500 index 16 New int bond issues 18
Eurodollar prices 16 New York share service 26.27
Real interest index 16 Recent issues, UK 24
FTSE-100 World Index 28 Short-term int rates 18
FT 500 Index 24 US interest rates 18
FTSE100 int bond sw 16 World Stock Markets 25

Chief price changes yesterday
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INTERNATIONAL COMPANIES AND FINANCE

NEWS DIGEST

Gaz de France chairman named

Mr Pierre Gadonneix was yesterday formally named the new chairman of Gaz de France, the state-owned gas utility company. His appointment, confirmed by the ministry of industry, follows the decision to appoint his predecessor, Mr Lolk Le Floch-Prigent, to be head of SNCF, the French national railway company.

He will be officially proposed as a candidate to the government by a board meeting on January 2, and his appointment is expected to be ratified the following day by the French cabinet. Mr Gadonneix's nomination is unusual partly because he is an internal candidate, whereas many recent French companies - in the private as well as the public sector - have preferred to recruit people from outside.

Born in New York and a graduate of Harvard Business School and the elite Ecole Polytechnique in Paris, he joined Gaz de France as managing director in 1987 after working for the French industry ministry.

Andrew Jack, Paris

Hollinger expands in Canada

Hollinger, the publishing group controlled by Mr Conrad Black, has expanded its presence in Canada by buying 14 daily and weekly papers in the provinces of Saskatchewan, Manitoba and Alberta. Terms of the deal were not disclosed. Each of the two dailies included in the transaction, the Regina Leader-Post and the Saskatoon Star-Phoenix, has an average circulation of about 65,000. The vendor is Armadale, a family company based in Saskatchewan.

Following the deal, Hollinger's stable will include 162 dailies and 474 other papers, mainly in North America, the UK and Australia. Hollinger is the controlling shareholder in the UK's Telegraph group and has a minority stake in Southern, Canada's biggest daily newspaper chain.

Bernard Simon, Toronto

Suncor in Australian accord

Suncor, one of western Canada's two oilseed producers, is working with two Australian partners to test new technology to bring the big Stuart oil shale deposit near Gladstone, Queensland, to production. Suncor will spend \$37m (US\$55.15m) on preliminary engineering.

By late 1996 Suncor and partners, Southern Pacific Petroleum and Central Pacific Minerals, will decide whether to proceed with a small commercial plant with daily capacity of 4,500 barrels and costing about \$250m. Suncor would receive a 50 per cent interest in a \$250m investment. Later stages would raise output to 85,000 barrels daily within 10 years. This would require investment of about \$2bn.

Suncor, formerly controlled by Sun Oil of the US, is spending \$1bn over the next five years to increase synthetic and conventional oil output in western Canada. It now produces 75,000 barrels daily of synthetic oil from its Alberta oilseed plant which started up in 1965. It also operates downstream in eastern Canada.

Robert Gibbons, Montreal

France Télécom voice mail move

France Télécom, the state-owned telecoms group, announced that a voice mail service would be in operation in all its card-operated public phone boxes by the middle of next year. For a fee of FF4.05, callers from the country's 188,000 card pay-phones will be able to leave a recorded message of up to 30 seconds for the person they are ringing if the line is occupied. They can choose up to four times in the future when the number they tried will be called again automatically and the recorded message played back over the phone.

The service is already experimentally in place in a number of phone boxes. There are 308,000 pay phones in France, taking 1.3bn calls a year. Slightly more than three-quarters of the phones are card-operated.

Andrew Jack

Federated to take up-market chain west

By Richard Tomkins in New York

Federated Department Stores, US owner of Bloomingdale's and other department store chains, plans to launch its up-market Bloomingdale's format in California next year - a rare foray west of the Mississippi for the Bloomingdale's chain.

The company named four locations in California where it expects to open Bloomingdale's stores in November 1996, but also announced it was shedding 1,550 jobs as part of a rationalisation of its store portfolio on the west coast.

Bloomingdale's is one of the best known names in US retailing. At present, it operates 18 department stores in nine states, but all except one - in the Mall of America in Minneapolis, Minnesota - are east of the Mississippi.

The opportunity to take the Bloomingdale's format into the west arose in October when Federated Department Stores completed its \$574m acquisition of Broadway Stores, a Los Angeles-based chain of 82 department stores, mostly in California.

The group is now in the process of assimilating the Broadway chain into its existing formats. Some 46 stores will be converted to the Macy's format and at least four will be converted to Bloomingdale's. Nine stores are being sold to Sears Roebuck, 12 will close in the next year, and the future of the rest is undecided.

Federated has taken a leading role in the recent consolidation of the US department store sector.

Its acquisition of Broadway followed soon after its coup in taking over the rival R.H. Macy chain, then in Chapter 11 bankruptcy protection, at the end of last year.

Federated's acquisitions have greatly increased the group's size and earnings power.

The Macy's format is already well established west of the Mississippi. But some analysts have questioned whether the Bloomingdale's concept, until now unfamiliar in the west, will translate well to the Californian market.

Banks near agreement on Mediaset deal

By Robert Graham in Rome

A consortium of Italian banks is expected to agree by Saturday to buy 6 per cent of Mediaset, the company containing the television interests of Mr Silvio Berlusconi's Fininvest business empire.

Six banks, headed by IMI, the merchant bank, have already pledged to purchase stakes worth some L400bn (\$353m) and underwrite further shares to help the flotation of Mediaset in 1996.

IMI said that with the formal commitment of the last of the six banks, Monte dei Paschi di Siena, it would be possible to

tie up all the main outstanding matters related to the consortium before the year end.

A seventh bank, the state-owned BNL, has indicated it would like to buy a stake of about 1.5 per cent. However, it has proposed that this be done through Albacom, the joint venture it formed earlier this year with British Telecom, to operate and develop the BNL group's extensive telecoms network.

BNL said yesterday this showed that the bank viewed the investment with "industrial logic".

BT was approached just before Christmas and has asked for time to consider the

deal. A decision is unlikely before mid-January. But BT's presence in Mediaset, albeit through a small joint-venture stake, would add a new dimension to the direction of the TV group's development strategy.

The Italian banks now involved apart from IMI are Banca di Roma, Monte Paschi, San Paolo di Torino, Commerciale Italiana and Cariplo.

The cash injection would be included in Fininvest's 1995 accounts, allowing debt to be cut from its 1994 level of L3,200bn. It will also pave the way for foreign institutional investors to acquire shares in Mediaset before flotation, scheduled for mid-1996.

The involvement of the banks is the second stage of a complex operation under which Mr Berlusconi aims to bring in outside shareholders for his three commercial television channels and his profitable Publitalia advertising arm. Mediaset is expected to make a L300m net profit this year, on a L3,500bn turnover.

Mr Berlusconi's aim is to lower his stake and that of his family to less than 50 per cent, and move towards flotation of Mediaset to avoid a conflict of interest with his position as a politician. But the operation has been criticised for its lack of transparency and because Mr Berlusconi

will retain effective control. Mr Berlusconi's opponents also claim that banks, most of whom still have some form of state ownership, are abusing the spirit of the 1990 television licence law by taking direct stakes.

The first stage of the operation took place in July when two of Mr Berlusconi's existing TV associates, Mr Leo Kirch, the German TV magnate, and the Rupert family of South Africa, agreed to take up to 20 per cent with Saudi prince al-Waleed bin Talal bin Abdul for a total of L1,800bn.

It is not clear how much of this money has already been paid.

French engineer with vision for the future

TF1's chief is confident his TV station is moving in the right direction, reports Andrew Jack

Mr Patrick Le Lay may not look much of a media star, but the chairman of TF1, the commercial television station which gathers the highest audiences in France, has recently had his fair share of time in the spotlight.

This autumn he threatened legal action against a competitor over the latest attacks on the quality of TF1's programming. Later, he was in the headlines again after spending nearly two days in police custody in connection with an investigation into alleged corruption.

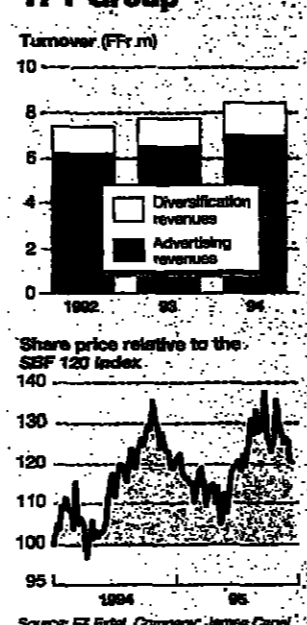
Mr Le Lay looks much like the rational engineer of his training. He made the leap from engineering to media shortly after his long-time employer Bouygues, the construction group, acquired the largest stake in TF1 when it was privatised in 1987.

But when he starts talking, it is clear that much of the flamboyance of television has helped colour his language.

No subject angers him more than the role of the French state in influencing the structure and operation of the television industry. "I don't think it would happen in Anglo-Saxon countries," he says. "You need a doctorate to understand it all."

He suggests the country's complex system of television production and broadcasting quotas was created by "madmen". He rattles off the government's requirements - that he invests 28 per cent of turn-

TF1 Group



over in French productions, ensures that 40 per cent of films he broadcasts are French, and that no films are shown on Wednesday, Friday or Saturday (no previous damage to the cinema and film industries). He complains that the state prevents TF1 from offering regional news broadcasts, a block not placed on France Télévision (the state-owned body controlling France 2 and France 3, the two public channels), which he says operates without the "obligation to make profits".

Such restrictions clearly have an effect in the battle for ratings - and hence for advertising revenue. TF1 remains the market leader, claiming 38 per cent of all viewers during the first half of the year, but the proportion has declined from 43 per cent in 1990.

For some time TF1 managed to retain its advertising revenues in spite of this fall, in what one analyst describes as a "Houdini trick". That has changed. Income from advertising rose 4.4 per

cent in the first half of the year to FF3.8bn (\$776m), but the market has been growing faster - at about 6 per cent. Mr Le Lay replies that one reason has been "dumping" by France 3, offering rates 30 per cent below those of TF1.

Some say TF1 has sought to win back market share by broadcasting ever more popular and vulgar programmes - a policy of "bum, bum and bum" regularly mocked on the Guignols satirical puppet show broadcast by Canal Plus, TF1's encrypted rival.

Mr Le Lay suggests many of the critics of TF1 are on the political left and have never come to terms with the channel's privatisation. "When our ratings fall from 40 per cent to 37 per cent we are criticised, but when another channel shows a modest rise it is seen as a success," he says.

As for the jesting from Canal Plus, which he calls "obsessive", he has replied robustly by starting legal action against the group.

Mr Le Lay also argues his channel broadcasts more "fiction" than its rivals - although the quality of such shows is open to debate. He maintains that the television of the future will be dominated by three themes: news, fiction and talk shows and quizzes.

It is in this latter category of "Americanised", highly popular and cheap studio-based broadcasting that the channel has been touched by corruption allegations.

These include suggestions that TF1 paid FF10m in cash to a former head of the state-controlled lottery organisation in an effort to extend the exclusive rights to transmit the results twice a week.

Mr Le Lay will not discuss these allegations, although earlier this year he flatly denied them as "grotesque".

For the future, Mr Le Lay says he is "serene" about the company's financial position. He adds that in a reflection of its confidence in the future, he expects Bouygues gradually to increase its 37.5 per cent stake to about 40 per cent.

But Mr Brendan Hoey, analyst at Morgan Stanley, says: "We remain cautious in the long term." Operating costs have been rising, he argues, at a time when advertising revenues have been falling, and he raises questions about potentially high-risk investments in digital broadcasting.

Meanwhile, Mr Le Lay pledges his commitment to two specialist niches within cable television. TF1 relaunched Eurosport in 1991, which he predicts will be profitable in 1996. Last year, it also started LCI, a news channel, which he estimates will be in the black within five years.

Yet he remains convinced that "there will always be a future for generalist television". He says: "There is a limit in household budgets for paying subscriptions. We are not in trouble."

CITICORP

U.S.\$350,000,000

Subordinated Floating Rate Notes Due November 27, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.85% in respect of the Original Notes and 5.9375% in respect of the Enhancement Notes, and that the interest payable on the relevant Interest Payment Date January 31, 1996 against Coupon No. 122 in respect of US\$10,000 nominal of the Notes will be US\$3.43 in respect of the Original Notes and US\$3.44 in respect of the Enhancement Notes.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due October 25, 2005
Notice is hereby given that the Rate of Interest has been fixed at 5.85% and that the interest payable on the relevant Interest Payment Date January 31, 1996 against Coupon No. 123 in respect of US\$10,000 nominal of the Notes will be US\$3.63.

U.S.\$500,000,000

Subordinated Floating Rate Notes Due January 30, 1996
Notice is hereby given that the Rate of Interest has been fixed at 5.825% and that the interest payable on the relevant Interest Payment Date January 31, 1996 against Coupon No. 120 in respect of US\$10,000 nominal of the Notes will be US\$3.40.

December 29, 1995, London
By: Citibank, N.A. (Issuer Services), Agent Bank CITIBANK

NOTICE OF PAYMENT

To the Holders of

Nafin Finance Trust II

U.S.\$129,880,000
Floating Rate Notes due 1999

For the Interest Period September 29, 1995 to December 29, 1995, the Total Payment Amount of the Notes is US\$1,930,000 or (17,941,565,599% of the current outstanding principal amount. Principal in the amount of US\$610,56 or US\$413,17 aggregate principal amount of Notes will be payable on December 29, 1995. After December 29, 1995, interest on the portion of the Notes so repaid will cease to accrue. Holders of Notes must deliver the appropriate interest coupon to a Paying Agent outside of the United States to receive payments on such Notes.

NAFIN FINANCE TRUST II

By: Bankers Trust Company, as Trustee

Dated: December 27, 1995

U.S.\$100,000,000

BACOB Overseas Limited

(Incorporated in the Cayman Islands with limited liability)

Guaranteed Floating Rate Notes due 1997

guaranteed by

BACOB Savings Bank s.c.

(Incorporated in Belgium as a cooperative limited liability company)

Notice is hereby given that for the three months interest period from December 29, 1995 to March 29, 1996 the Notes will carry an interest rate of 5.8875% per annum. The interest payable on the interest payment date, March 29, 1996 will be U.S. \$148.22 and U.S. \$148.22 respectively for Notes in denominations of U.S. \$10,000 and U.S. \$100,000.

By: The Chase Manhattan Bank, N.A., London, Agent Bank

December 29, 1995

CHASE



THE SOUTH AFRICAN BREWERIES LIMITED

(Incorporated in the Republic of South Africa) (The Company)

RESULTS OF THE CAPITALISATION SHARE AWARDS

UAL Merchant Bank Limited is authorised to announce that further to the announcement published on Wednesday, 15 November 1995, elections from ordinary shareholders to receive an interim cash dividend were made in respect of a total of 25,889,226 ordinary shares resulting in an interim cash dividend payment of R15,258,495, and elections from holders of the series "B" automatically convertible cumulative preference shares ("B convertible preference shares") to receive a cumulative preferential interim cash dividend ("preference cash dividend") were made in respect of a total of 1,352,427 B convertible preference shares, resulting in a preference cash dividend payment of R1,795,598. As a result a total combined dividend payment of R17,055,092 is due by the Company, which includes R561,140 in residual cash dividends payable in lieu of fractional entitlements to new ordinary shares.

Accordingly, pursuant to the capitalisation share awards, 1,387,484 new ordinary shares, out of a possible total of 1,526,260 new ordinary shares, are to be issued to ordinary shareholders representing a 90.91% issue in lieu of the interim cash dividend and 297,484 new ordinary shares, out of a possible total of 313,820 new ordinary shares, are to be issued to the holders of the B convertible preference shares representing a 94.80% issue in lieu of the preference cash dividend, making a combined total issue of 1,684,978 new ordinary shares. Accordingly, the number of issued ordinary shares in the share capital of the Company has increased from 294,591,115 ordinary shares to 296,276,093 ordinary shares.

The listing of the 1,684,978 new ordinary shares in the Company will commence on The Johannesburg Stock Exchange and on the London Stock Exchange from the commencement of business today.

Posting of share certificates and dividend cheques
Share certificates in respect of the new ordinary shares and cheques in respect of the interim cash dividend, the preference cash dividend and the residual cash dividend in respect of fractional entitlements to new ordinary shares will be posted to the applicable shareholders registered on the South African share registers by registered and ordinary mail, respectively and to the applicable shareholders registered on the United Kingdom share register, by first class mail, today.

By order of the Board
AOC Tonkinson
Group Secretary
29 December 1995

2 Jani Smuts Avenue
Johannesburg 2001

U.S.\$300,000,000

Bank of Greece

(Incorporated in Greece)

Floating Rate Notes Due 1996

Interest Rate: 5.925% per annum

Interest Period: 29 Dec 1995 to 28 Dec 1996

Interest Payable: 28 Dec 1996

Interest Amount: US\$3,398.42

By: The Chase Manhattan Bank, N.A., London, Agent Bank

December 29, 1995

CHASE

SWEDBANK

(Sparebankernas Bank)

US\$100,000,000

Subordinated floating rate notes due 2002

Notice is hereby given that the notes will bear interest at 6.7525% per annum from 29 December 1995 to 28 June 1996. Interest payable on 28 June 1996 per US\$10,000 note will amount to US\$41.88.

Agent: Morgan Guaranty Trust Company

JPMorgan

US\$200,000,000

Floating rate subordinated notes due 2000

The notes will bear interest at 5.875% per annum for the interest period 29 December 1995 to 31 January 1996. Interest payable on 31 January 1996 will amount to US\$33.85 per US\$10,000 and US\$263.25 per US\$50,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

Halifax Building Society

(Incorporated in England under the Building Societies Act 1986)

Issue of up to an aggregate of £200,000,000

Subordinated Variable Rate Notes with a maturity of 12 years

(formerly Subordinated Variable Rate Notes issued by Leeds Permanent Building Society)

Notice is hereby given that for the three months interest period from December 27, 1995 to March 27, 1996 (91 days) the Subordinated Notes will carry an interest rate of 7.0125%. The interest payable on March 27, 1996 for the Subordinated Notes will be £174.35.

By: The Chase Manhattan Bank, N.A., London, Principal Paying Agent

December 29, 1995

CHASE

U.S.\$100,000,000

Floating Rate Subordinated Loan Participation Certificates Due 2000

Issue by

Merrill Lynch Bank AG

(Incorporated in the Federal Republic of Germany with limited liability)

for the purpose of funding and maintaining a subordinated loan to

The Saitama Bank, Ltd.

(Incorporated in Japan with limited liability)

Notice is hereby given that for the Interest Period from December 29, 1995 to March 29, 1996 the Certificates will carry an interest rate of 6.1125% per annum. The amount of interest payable on March 29, 1996 will be U.S. \$156.21 per U.S. \$10,000 principal amount of Certificates.

By: The Chase Manhattan Bank, N.A., London, Agent Bank

December 29, 1995

CHASE



United Kingdom

U.S.\$4,000,000,000

Floating Rate Notes Due 1996

In accordance with the provisions of the Notes, notice is hereby given that, for the three month period 29th December, 1995 to 29th March, 1996, the Notes will bear interest at the rate of 5 1/8% per cent. per annum. Coupon No.38 will therefore be payable on 29th March, 1996, at the rate of US\$6,872.40 from Notes of US\$500,000 nominal and US\$137.45 from Notes of US\$10,000 nominal.

S.G.Warburg & Co. Ltd.

Agent Bank

The Financial Times plans to publish a Survey on

Franchising

on Tuesday, March 5th.

This survey will focus on areas such as research for potential franchisees, explores sources of funding available and highlights the specialist help available. For more information, please contact

Lesley Sumner

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FT Surveys

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FINANCIAL TIMES FRIDAY DECEMBER 29 1995

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will retain effective control. Mr Berlusconi's company, who claim that banks, some of whom still have some form of state ownership, are aware of the spirit of the 1993 Italian law by taking over stakes.

The first stage of the operation took place in July 1994, when Mr Berlusconi's company, the German TV company, the Italian TV company, the Italian family of Mr Berlusconi, agreed to take over the 20 per cent with Silvio Berlusconi and Walter bin Tadi bin Ali for a total of £1,000.

It is not clear how much this money has already been paid.

e future

ports Andrew J

These include suggestions that the 11 paid £100m to a former head of the state-owned lottery organisation, in an effort to extend their over 100 years to transfer results to a new company.

Mr J. J. will not be the sole proprietor, although for this year he has been named as "protector".

For the future, Mr J. J. says he is "not" about the company's financial position. He says in a reflection of his confidence in the future, he expects to gradually increase his stake to 10 per cent.

But Mr Brendan Hoyle, head of Morgan Stanley & Co, says the company is "not" in a "strong" position. Operating a large business, he says, is a challenge. He says the company has been falling at the rate of 10 per cent a year, and is in a "difficult" position.

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THANE AWARDS

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INTERNATIONAL CAPITAL MARKETS AND COMPANIES

US long bond yield flirts with 6%

By Maggie Urry in New York and Richard Lapper in London

The US Treasury 30-year long bond continued to flirt with a 6 per cent yield yesterday in thin post-holiday trading, with the yield just dipping below the figure in morning trading.

The long bond yield almost broke through the 6 per cent level earlier this month but backed away. Long-dated yields have not held below 6 per cent since late 1993.

Near midday the long bond was higher at 112 1/4 to yield 5.95 per cent. At the short end of the maturity spectrum the two-year note added 1/8 to 100 1/2 to yield 5.20 per cent.

Activity was low as many investors had already positioned their portfolios for the year-end before the holiday season began.

Traders lacked economic statistics to give direction to the market, as the government

shutdown continued to delay the publication of data.

However, dealers found signs of a slowing of the economy in other statistics. A deceleration of activity is favourable for bond prices as it could encourage a further cut in interest rates.

GOVERNMENT BONDS

Thursday usually brings weekly initial unemployment claims figures. However, the bond market could take some encouragement from indications of a slowing jobs market, as the Conference Board's "help wanted" index showed a decline in job advertisements in November. The index fell from 131 in October to 127 in November.

A fall in the American production and inventory control society's business outlook

index in December from 44.8 in November to 43.8. APICS said the decline largely occurred in the future components of the index, which includes new orders and production plans.

The Bank of England yesterday announced plans to extend the maturity range of government stock early in 1996.

A new long-dated stock with a maturity of 2020 or longer will be auctioned on February 28 next year. The UK's longest-dated existing stock, which matures in 2017, was issued in April 1992.

The Bank also announced the auction on January 31 and March 27 of two shorter-dated gilts, carrying a maturity range from 2000 to 2002. Gilt-edged market-makers expressed interest in the issue of a new ultra-long stock at a meeting with the Bank of England earlier this month. Institutional investors such

as pension funds and insurance companies have been pressing for the issue of longer-dated paper, which they use to match long-term liabilities.

UK government bonds gained ground in very thin trading yesterday, in line with other European government bonds. The March 10-year gilt future closed up 1/8 at 110 1/4. Only 6,403 contracts were exchanged, however.

German March 10-year bond futures gained 0.08, settling on Liffe at 99.24.

The French bond markets posted gains for the fourth consecutive trading day, with the March notional future up 0.06 at 120.36.

The market was unmoved by news that the Bank of France had opted to leave its intervention rate unchanged at 4.45 per cent.

The March Pibor contract gained 0.08 to settle at 94.95.

Poor season for Canada's retailers

Disappointing Christmas capped a difficult year, says Bernard Simon

The atmosphere in Canada's shopping malls has been as frantic as usual this festive season. The difference is that most of the pushing and shoving has come, not from shoppers seeking last-minute gifts, but from retailers desperate for sales.

"It's been the worst Christmas season I've seen in a non-recession year," says Mr David Brodie, analyst at Wood Gundy in Toronto. In fact, he adds, "it's as bad as a recession".

Brisk sales in the traditional post-Christmas bargain hunting have been a small consolation for retailers.

Price-cutting began with a vengeance in early December, by the week before Christmas, even wrapping paper was on sale at rock-bottom prices.

Mr Jim Nichols, president of Interan, a Texas-based company with 870 Radio Shack electronic equipment stores in Canada, says that his chain is not normally a discount store. But he adds, "if someone else is making a lot of noise, you've got to make a little".

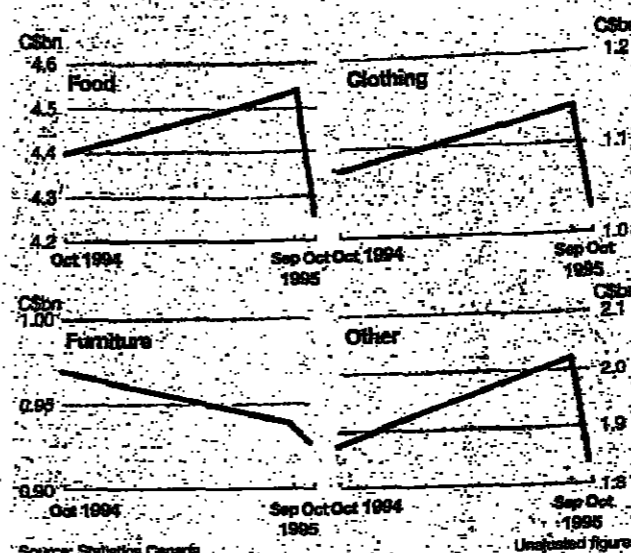
The disappointing Christmas season has capped a difficult year for Canadian retailers. Shares of Hudson's Bay, which owns some of the biggest retail chains, slumped to a low of C\$19.13 earlier this month after the company reported unexpectedly weak earnings of 4 cents a share for the three months to October 31, down from 50 cents a year earlier.

Mr James McLeod, an analyst at Richardson Green-shield, has cut his forecast for The Bay's fourth quarter from C\$1.83 to C\$1.35 a share, and urged investors to sell the stock.

Christmas has brought home to the retailers what economists have known for some time: that Canadian consumers are neither willing nor able to indulge themselves.

Retail sales slipped by 0.7 per cent in October, the latest figure available. "There were absolutely no redeeming fea-

Canadian retail sales



ture," concluded Ms Sherry Cooper of Nesbitt Burns.

Clothing sales fell for the fourth consecutive month and year-on-year furniture sales were down 4.6 per cent.

According to Radio Shack's Mr Nichols, computer sales have been slow, but buyers resist the latest wave of high-priced Pentium chips.

A soft jobs market, high household debt and accelerating public spending cuts, especially in Ontario, have all discouraged Canadians from opening their wallets.

The national unemployment rate is currently 9.4 per cent. Ontario's recently elected Conservative government has cut welfare payments by 21 per cent and is expected to lay off thousands of civil servants in 1996.

Political uncertainty stemming from October's independence referendum in Quebec appears to have made the mood even bleaker.

Consumers cannot be entirely blamed however, for the retailers' woes. Competition has also been sharpened by a horde of US chains that

has swarmed across the border in the past year or two.

They have included "category killers", such as Sports Authority and Sportsworld in sportswear, and PetSmart for pet supplies. Their outlets

offer cavernous warehouse-type sheds, usually on the outskirts of large cities, and offer a product selection and prices that few department stores or small retailers can match.

PetSmart aims to open about a dozen stores, each covering as much as 26,000 sq ft, in southern Ontario by mid-1996. Home Depot, the Atlanta-based hardware chain, bought a 75 per cent stake in a seven-store "warehouse outlet" chain last year; it has subsequently added a dozen new stores. Borders, a US bookstore chain, has outlined plans for a thrust into Canada, amid loud protests from smaller Canadian book-sellers.

However, none of these newcomers has had a greater impact than Wal-Mart, the Arkansas-based group which invaded Canada in early 1994 by buying 122 downy Woolco

stores. Wal-Mart spent C\$275m (US\$202m) refurbishing the outlets, added nine stores of its own, and cut a swathe through traditional Canadian retailing customs with its policy of "everyday low prices".

The US group claims it has boosted sales in the former Woolco stores from C\$125 to more than C\$200 per square foot, and that its share of the discount department store market has soared from 22 per cent to 40 per cent since early 1994.

Even before Christmas, Wal-Mart's growth had unleashed a ferocious price war with Zellers, a chain owned by Hudson's Bay, as well as US-owned Kmart and Sears.

A squeeze on margins was the main factor behind the Bay's poor third-quarter performance. The "category killers" were subsequently drawn into the battle for market share.

Weak Christmas sales are expected to push many small retailers to the wall. Bigger chains have also been forced on to the defensive. For instance, competition from the new sporting goods behemoths has led some sports chains to shrink their sports sections.

Home Depot has trimmed its planned 1996 expansion from 10 new stores to five. Molson, the brewing group that owns the remaining 25 per cent of Home Depot Canada, recently blamed a two-thirds drop in quarterly operating profits from its retail business on "very poor" conditions in the home improvement market.

Wal-Mart however, appears unfazed by the storm it has helped create. An official says that Christmas sales climbed at a double-digit rate; that the Canadian unit will report an operating profit for this year; and that 1996 expansion plans - starting with four new stores early in the year - are on track.

"The company has been tickled pink by the response of Canadian consumers," he says.

FT writers look at the best performing shares around the world in 1995 Sweden's investors opt for security

Sweden's forestry companies weighed in with record profits in 1995, but those who expected a stock market reward to match that of the more fashionable high-technology shares were disappointed, writes Hugh Carnegie in Stockholm. Investors worried that the rapid upturn in demand and prices would be replaced by a roll into the downside in the highly cyclical sector.

The companies and many analysts insisted underlying demand for paper products was set to continue. But in October a rise in prices to \$1,000 a tonne for benchmark pulp failed to stick; the pessimistic tone was confirmed and stocks fell. The pulp and paper index

on the Stockholm stock exchange was down 15 per cent at Christmas from the beginning of the year, against a 16 per cent rise in the General Index.

Pharmaceutical stocks continued to be among Sweden's top performers; the chemical and pharmaceutical sector index was up 48 per cent by Christmas. Financial stocks also had a good year, and the banking and financial index was up 27 per cent at Christmas. But the best performers of all were in a sector Sweden is not so famous for - security. Locks group Assa Abloy was up 156 per cent - best of the regular stocks - while Securitas was up 57 per cent.

Japanese on track

It has been a good year for Japanese railway stocks, up 13

per cent since the start of 1995. Their strong performance has less to do with the number of passengers carried than their large land holdings, which mean railway shares show a strong correlation with real estate stocks, writes Emiko Terazono in Tokyo.

The sector has been boosted by the ruling coalition's proposals to cut property-related taxes, which have been imposed on leading land owners including property companies, railways and department stores. "Over the longer term, a reform in the asset tax should lead to stabilisation of land prices, which should benefit the private railways," says Mr Laurent Del Grande at Kleinwort Benson.

In contrast, shipping proved the worst performer of the year, declining 17 per cent. Despite a brief rally thanks to the fall in the yen during the

summer, the sector has been hit by concern over weak liner freight rates.

Spain goes for gas

Gas Natural, the dominant gas importer and domestic distributor, was the stock of the year in Spain during 1995 and gas distribution was the best performing sector on the Madrid market with a rise of 61.1 per cent in local terms, writes Tom Thomas in Madrid.

However, analysts believe that there could be some clouds on the horizon. Aborro Corporación Financiera has downgraded Gas Natural to hold, arguing that its high share price - Pta18,160 - reflects all the positive factors over the last two years and that it has now entered a risk zone.

Further markets will be covered over the coming days.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS									
Coupon	Red Date	Price	Yield	Week ago	Month ago	Yield	Week ago	Month ago	
Australia	10.000	102/06	101.800	-8.48	8.48	8.52			
Austria	6.500	110/05	100.500	-0.50	0.50	8.76			
Belgium	6.500	103/05	98.650	-0.50	0.50	8.76			
Canada	8.750	102/05	111.410	-0.80	7.12	7.40	7.53		
Denmark	6.000	03/06	105.200	-0.140	7.25	7.39	7.57		
France	7.750	10/05	107.210	-0.20	5.50	5.52	6.11		
Germany	6.500	10/05	107.800	-0.080	6.86	6.75	6.87		
Ireland	6.500	10/05	103.380	-0.140	6.03	6.12	6.32		
Italy	6.500	10/05	98.150	-0.300	7.44	7.58	7.73		
Japan	6.400	03/06	118.730	-0.315	1.83	1.42	1.48		
Netherlands	4.800	09/04	111.870	-0.308	2.86	2.70	2.80		
Norway	6.500	10/05	105.400	-0.100	6.04	6.16	6.31		
Portugal	11.875	02/05	102.040	-0.190	9.81	10.02	10.78		
Spain	10.150	01/06	107.820	-0.100	9.71	9.94	10.57		
Sweden	6.000	02/05	104.490	-0.114	8.52	8.74	9.16		
UK Gilt	6.000	12/05	104.30	-0.420	6.80	6.80	6.99		
US Treasury	6.000	10/08	111.17	-0.232	7.57	7.68	7.83		
US Treasury	5.875	10/05	101.23	-0.232	5.64	5.86	5.91		
US Treasury	5.875	10/05	112.04	-0.232	5.99	6.20	6.22		
ECU (French Govt)	7.500	04/05	103.430	-0.150	6.98	7.09	7.39		

London closing, New York last trade. Yields: Local market yields. Prices: US, UK & Jt. bonds are in dollars. Source: Reuters International

US INTEREST RATES

Label	One month	Three month	Six month	One year	Two year	Three year	Five year	Ten year	30 year
Prime rate	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
90-day T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
1-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
2-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
3-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
5-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
10-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4
30-year T-bill	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4	5 1/4

Source: Federal Reserve Bank of New York

BOND FUTURES AND OPTIONS

France

Notional: FRENCH BOND FUTURES (MATF) FF500,000

Month	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	120.34	120.36	+0.02	120.40	120.32	17,501	120,281
Jun	120.76	120.80	+0.04	120.84	120.76	436	4,318
Sep	119.90	119.94	+0.04	119.98	119.90	2	615

Notional: LONG TERM FRENCH BOND OPTIONS (MATF)

Strike Price	Jan	Mar	Jun	Jan	Mar	Jun
118	2.61	1.92	-	-	0.56	0.97
119	1.36	1.27	-	-	0.30	-
120	0.36	0.77	-	-	-	1.74
121	-	-	-	-	-	-
122	-	-	-	-	-	-

Est. vol. total: Calls 5,081 Puts 8,222 Previous day's open int.: Calls 147,251 Puts 144,630

Germany

Notional: GERMAN BOND FUTURES (LFFE) DM250,000 100ths of 100%

Month	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	99.10	99.24	+0.09	99.31	99.10	19,967	199,682
Jun	-	98.58	+0.13	-	-	0	2069

UK GILTS PRICES

Notes	Yield	Price	Yield	Price	Yield	Price	Yield	Price	Yield	Price
Shorts (Auss up to Five Years)	13.32	-109.13	-	-	-	-	-	-	-	-
15 Year 1995-2010	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2020	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2030	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2040	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2050	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2060	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2070	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2080	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2090	14.78	6.82	112.14	-	-	-	-	-	-	-
15 Year 1995-2100	14.78	6.82	112.14	-	-	-	-	-	-	-

Source: Reuters International

BOND FUTURES AND OPTIONS

Italy

Notional: ITALIAN GOVT. BOND (RTF) FUTURES (LFFE) Lit 200m 100ths of 100%

Month	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	108.10	107.78	-0.32	108.22	107.72	8,921	51,901
Jun	107.35	107.28	-0.07	107.50	107.35	110	1,502

Notional: ITALIAN GOVT. BOND (RTF) FUTURES OPTIONS (LFFE) Lit 200m 100ths of 100%

Strike Price	Jan	Mar	Jun	Jan	Mar	Jun
107.80	1.72	2.46	-	-	1.44	2.68
108.00	1.48	2.22	-	-	1.86	2.94
108.20	1.25	2.01	-	-	2.11	3.23

Est. vol. total: Calls 135 Puts 75 Previous day's open int.: Calls 16,888 Puts 14,782

Spain

Notional: SPANISH BOND FUTURES (MEFF)

Month	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	95.79	95.53	-0.11	95.88	95.40	23,266	47,129

UK

Notional: UK GILT FUTURES (LFFE) £50,000 32nds of 100%

Month	Open	Settle	Change	High	Low	Est. vol.	Open int.
Mar	110.25	110.24	-0.01	110.31	110.22	6,403	131,535
Jun	-	110.08	-0.01	-	-	0	0

Notional: LONG GILT FUTURES OPTIONS (LFFE) £50,000 32nds of 100%

Ecu						
■ ECU BOND FUTURES (MATIF) ECU100,000						

COMMODITIES AND AGRICULTURE

Mali gold mine cost jumps 20%

By Kenneth Gooding, Mining Correspondent

The projected capital cost of the Sadiola Hill gold mine in Mali has jumped by more than 20 per cent, from US\$250m to \$300m in the past year.

Anglo American Corporation of South Africa, the world's biggest gold producer and one of the partners in the project, said yesterday it was now possible to give a realistic estimate of the cost, excluding capitalised interest, of developing a mine in a very remote part of Mali.

Some \$100m for the project had been obtained from a consortium of multilateral lending

agencies led by the International Finance Corporation (IFC), a World Bank affiliate, and the balance would be supplied by shareholders in the form of equity and interest-bearing subordinated loans.

Sadiola d'Exploitation des Mines (Sadiola Mines), the company formed to exploit the ore body, has four shareholders: Anglo and IFC, each with 26 per cent, the Malian government (16 per cent) and the IFC (6 per cent).

Anglo gave more details about the project yesterday because IFC had filed a preliminary prospectus in Canada. IFC intends to float on the Toronto Stock

Exchange next year.

The partners also admitted that the timing of the project - to develop Mali's second gold mine 70km from Kayes, the provincial capital - had slipped a little. The mine is now scheduled to start up in the first quarter of 1997 instead of late last year, and to be in full production by mid-1997.

Anglo added, however, "Despite the remote location of this mine, in a rural area with no significant industry or infrastructure, construction is proceeding satisfactorily within a tight time schedule."

The open pit mine is expected to produce about 230,000 troy ounces of gold a year. At

present the Sadiola project is known to have 141 tonnes of mineable gold to be extracted over 12 years and Anglo said additional reserves might be found.

The total cash operating cost, including revenue and cost related taxes, averaged over the life of the mine is at present estimated at \$215 an ounce.

Anglo said the Sadiola pit eventually would be 1,800m long by 750m wide and 150m deep. Cyanide leach and carbon-in-pulp gold recovery circuits would be used. Water would be pumped from a river near Diamou along a 56 km pipeline.

Importers fight feudal seizure rule

By Deborah Hargreaves

Commodity importers are meeting representatives of British ports next week to try to convince them to remove an ancient feudal practice from their rule books.

The practice which dates back to the Crusades means that ports can impose a cargo to offset a shipowner's debts, even though the cargo is legally owned by the importer or exporter and not the shipping line.

"This is making importers very nervous. The rational thing would be to ensure that cargo comes into the 21st century and change their operating terms," says Ms Pamela Kirby Johnson, director-general of the Grain and Feed Trade Association.

Importers' concerns came to a head at a recent case in the High Court when a judge upheld a decision by the port of Felixstowe to hold on to 210,000 worth of Turkish split lentils because of the insolvency of the shipping line on which it was carried. A similar case concerning a cargo of sugar is pending.

Ms Kirby Johnson says the ports' practice threatens to undermine the basis on which commodity importers do business worldwide. "What is most worrying is that insurance companies and banks are now asking for more guarantees from buyers [of commodities] over shipping," she said.

Many commodities are sold on a delivered basis which means the seller pays for and arranges the freight. "A number of importers just could not deal with organising their own shipping," says Ms Kirby Johnson.

European ports such as Rotterdam, Antwerp and Hamburg have no such rights over cargo. Many of them operate a system of bank guarantees by the ACP producers to the EU over the next six years will earn them 25 cents a pound, slightly less than they get for their regular quotas. US quotas holders

Caribbean sugar growers hope for brighter future

Canute James on improved access to lucrative markets

Caribbean sugar producers, most of whom have been suffering declining output, have been encouraged by recent increases in access to preferred and lucrative markets in the European Union and the US. They are now trying to lift production and to rehabilitate mills to take advantage of the new opportunities.

Leading producers, such as the Dominican Republic, have been forced to import to meet domestic demand, while Cuban authorities are speaking guardedly of an increase in output next year following a steady fall that saw this year's harvest yielding less than a half the level of five years ago.

Caribbean producers enjoying preferred access to the EU will be able to export more under a special agreement to meet increasing demand caused by the expansion of the union. The contract runs from this year to 2001 and gives exporters in the African, Caribbean and Pacific (ACP) group a market for an additional 250,000 tonnes a year. This will increase the Caribbean producers' access by about 117,000 tonnes a year.

The increased access for the region to the US market follows the US Department of Agriculture's raising of the import quota for the current fiscal year by 300,000 tonnes to 1.4m tonnes. Caribbean suppliers can sell an additional 67,000 tonnes, of which the Dominican Republic's allocation is 53,000 tonnes.

The EU and US markets are valuable outlets for the region's producers. Most Caribbean sugar industries operate with production costs higher than the 12 cents to 14 cents a pound they would obtain for sales on the world market. The additional shipments by the ACP producers to the EU over the next six years will earn them 25 cents a pound, slightly less than they get for their regular quotas. US quotas holders

get 22 cents a pound. "We can sell all the sugar that we have, and if we had more we could even sell that," said Mr Rucha Harasim, president of the Sugar Association of the Caribbean and chairman of Caroni (1975) Limited, Trinidad and Tobago's sugar producer. "The future is bright for Caribbean sugar and it seems it will be so for a long time. We have to forget about our emotional attachment to sugar and remember it is big business. We have to have less strikes and other industrial action and improve production."

Taking advantage of these new opportunities will demand significant improvement in productivity and output by several of the region's producers. In Trinidad and Tobago the 1995 harvest yielded 117,000 tonnes, missing the target of 128,000 tonnes, and 10.5 per cent below 1994's record. Low productivity was caused by dry weather, say industry officials, but the country has met its foreign quota commitments and domestic demand.

Drought meanwhile helped to depress Barbadian output to 38,500 tonnes, 27 per cent less than last year. The industry was being restructured to lift productivity, and the forecast for next year was 58,000 tonnes, said Mr Alick Bradshaw, chief executive of the Barbados Agricultural Management Company.

The island has a EU quota of 54,000, which is not being met, and its US quota has not been supplied for some time. Barbados would again have to import sugar from Guyana to meet domestic demand, said Mr Bradshaw.

Jamaica hoped to lift output to 300,000 tonnes a year to allow it to meet all its quota obligations and domestic demand, said Mr Karl James, chief executive of Jamaica Cane Products, which markets

the island's sugar. Production this year was only 211,500 tonnes, which forced the island to import to meet domestic demand.

The Dominican Republic, once among the world's top ten sugar exporters, is now importing the product from Brazil to meet a shortage on the domestic market. This year's harvest yielded 560,000 tonnes. Officials blame the shortage on "illegal" sales to neighbouring Haiti. The state-owned producer, the CEA, is in financial trouble and unable to pay its debt, including about \$30m to farmers.

Guyana's state-owned industry, which is being managed under contract by Booker Tate of the UK, plans to spend about US\$30m to rehabilitate mills and lift capacity to 300,000 tonnes a year. Production last year was 232,600 tonnes, 10,000 tonnes more than a year earlier and the highest since 1983.

The region's problems have been especially evident in the performance of its biggest producer. But Cuba's production, which fell to 3.3m tonnes this year, could improve by 20 per cent next year, according to Mr Carlos Lage, the country's vice president in charge of economic policy. Cuba has obtained about \$100m from foreign sources to purchase agricultural chemicals, retool some mills and replace ageing farm machinery. The industry is trying to recover after output fell by more than a half in five years.

The island had a contract for supplying China with 400,000 tonnes last year, but was unable to meet it. Under an agreement signed recently with Russia it will supply 1.5m tonnes of sugar in 1996 and receive in return about 4.5m tonnes of oil. Russian companies are working on a plan for financing part of the Cuban sugar harvest by supplying it with fuel, spare parts and agricultural machinery, according to Cuban officials.

Nickel supplies seen remaining tight

By Kenneth Gooding

Nickel supplies are likely to be tight for another two years, analysts are warning consumers of the metal, which is mainly used for production of stainless steel.

A great deal will depend on the performance of the Norilsk combine in Russia, once the world's biggest nickel producer and whose exports represent about 20 per cent of western world supply.

"Nickel stocks look perilous. Even assuming that the Russians produce at the higher end of the currently viable range, and export all the surplus, by 1997 the west could have run out of stocks," says

Ms Rhona O'Connell, analyst at stockbroker T. Hoare & Company, in a special report about the long-term outlook for base metals.

Analysts at the London Metal Exchange stocks of nickel have been falling at an average of 10,250 tonnes a month. This suggests that, in 12 months stocks will be at critically low levels - about six or seven weeks' worth of consumption or 111,250 tonnes.

Mr William Adams and Mr Martin Squires, in a special report on the outlook for metals in 1996, point out that the western markets are highly dependent on Russian nickel

exports and that "this will become increasingly important as western stocks are run down."

Wolf suggests that, with no substantial new production capacity scheduled until the end of 1997, "the market will remain vulnerable to any disruption to supply, especially from the CIS, or from another year of better than expected consumption."

Wolf says that nickel for delivery in three months on the LME can be expected to average US\$9,000 a tonne in 1996 up by 11 per cent from the average of \$8,100 this year.

Ms O'Connell, at Hoare & Company suggests the price

increase will be even greater and is forecasting an LME three-month nickel price averaging more than \$11,000 a tonne next year and one of \$13,250 in 1997.

She says: "On a global basis, even accounting for the imminent slowdown in the stainless steel market and assuming 80,000 tonnes a year of production from the much heralded Volsey Bay (in Labrador) by the year 2,000, the long term outlook suggests that this will be very much a seller's market for the next few years. The balance starts to turn around during 1996 as scheduled production expands but, on the bald numbers, 1997 will be crunch time."

Mr Moe Shota, BC's environment minister, said that the project had undergone an extensive environmental review. "All concerns raised during the review process have been adequately addressed," he said. But local aboriginal groups, supported by some environmentalists, have lobbied strongly against the mine. The project still requires federal government approval.

Canadian copper mine given green light

By Bernard Simon in Toronto

British Columbia has approved construction of a new copper and molybdenum mine by Vancouver-based Princeton Mining, despite objections from environmental groups.

The decision confirms recent indications that the province's social-democratic government is adopting a more flexible policy towards the mining industry

after pulling the plug on a number of high-profile projects in recent years.

The Huckleberry mine, located in north-central BC, is expected to produce 65m lb of copper a year in the first five years of its 20-year life, with total reserves estimated at 1.1b lb.

Annual molybdenum output is estimated at 1m lb. Construction costs are expected to total \$415m.

Japan's Marubeni and Mitsubishi Materials have agreed to buy a 40 per cent stake in the project. They will provide US\$50m in loan finance, and will buy all concentrates produced in the first five years.

Mitsubishi already buys the entire output of Princeton's existing open-pit copper mine in BC, which was reopened last year with an annual capacity of about 60m lb.

Mr Moe Shota, BC's environment minister, said that the project had undergone an extensive environmental review. "All concerns raised during the review process have been adequately addressed," he said. But local aboriginal groups, supported by some environmentalists, have lobbied strongly against the mine. The project still requires federal government approval.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

ALUMINIUM, 3% PURITY (5 per tonne)

	Cash	3 mths
Close	1679.50	1708.4
Previous	1680.1	1707.75
High/Low	1679.5-1708.4	1707.75-1708.4
AM Official	1677.4	1705.4
Kerb close	1677.4	1701.2
Open int.	228,448	24,875
Total daily turnover	38,475	

ALUMINIUM ALLOY (5 per tonne)

	Cash	3 mths
Close	1420.50	1430.50
Previous	1440.50	1450.50
High/Low	1420.5-1440.5	1430.5-1450.5
AM Official	1440.50	1450.50
Kerb close	1440.50	1450.50
Open int.	5,000	
Total daily turnover	1,075	

LEAD (5 per tonne)

	Cash	3 mths
Close	719.20	717.8
Previous	718.5-720.5	717.8
High/Low	719.2-720.5	717.8-719.2
AM Official	720.1	717.8
Kerb close	719.2	715.8
Open int.	32,525	
Total daily turnover	6,585	

NICKEL (5 per tonne)

	Cash	3 mths
Close	7940.50	8080.55
Previous	8055.55	8180.5
High/Low	7940.5-8055.55	8080.55-8180.5
AM Official	8050.50	8170.50
Kerb close	8050.50	8200.55
Open int.	36,328	
Total daily turnover	12,857	

TIN (5 per tonne)

	Cash	3 mths
Close	6275.55	6295.50
Previous	6255.55	6280.50
High/Low	6255.55-6275.55	6280.50-6295.50
AM Official	6280.55	6295.50
Kerb close	6280.55	6290.50
Open int.	13,544	
Total daily turnover	4,351	

ZINC, special high grade (5 per tonne)

	Cash	3 mths
Close	1010.5-1.5	1034.5
Previous	1010.5-1.5	1034.5
High/Low	1008.5-1010.5	1034.5-1034.5
AM Official	1008.5	1034.5
Kerb close	1008.5	1034.5
Open int.	75,559	
Total daily turnover	15,570	

COPPER, grade A (5 per tonne)

	Cash	3 mths
Close	2844.5	2878.7
Previous	2844.5	2869.7
High/Low	2844.5-2878.7	2869.7-2878.7
AM Official	2844.5	2869.7
Kerb close	2844.5	2869.7
Open int.	164,732	
Total daily turnover	53,235	

LME ALUMINIUM 3% (5 per tonne)

	Cash	3 mths
Close	1387.0-1.5	1399.3
Previous	1387.0-1.5	1399.3
High/Low	1387.0-1.5	1399.3-1399.3
AM Official	1387.0	1399.3
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Previous	1010.5-1.5	1034.5
High/Low	1008.5-1	

COMPANY NEWS: UK

Land Rover output soars on overseas sales

By Haig Simonian,
Motor Industry Correspondent

Land Rover, the four-wheel-drive vehicle maker owned by BMW of Germany, surpassed its own forecasts and built more than 127,000 units this year. The 35 per cent rise on 1994 levels reflects strong growth in overseas demand.

Land Rover, best known for its upmarket Range Rover, had until relatively recently been saying output in 1995 would be about 115,000 units, well ahead of the 94,472 vehicles made in 1994.

However a late spurt in demand, especially from the US and Japan, led to record production in the final quarter.

Output at the company's Solihull plant in the Midlands has recently exceeded 3,000 units a week, compared with 2,600 in January.

The rise was achieved through the addition of a second assembly line for the best-selling Discovery and a move to two-shift working on the group's three models. Almost all vehicles were built in response to customer orders.

The company, which is expected to introduce a fourth model to slot between the Defender and the Discovery in 1997, declined to provide production forecasts for next year. However, it said it hoped output would double from the current total by the end of 2000, repeating the performance achieved over the past five years.

Demand in Japan jumped by more than 75 per cent in the first 11 months of this year, while sales in the US grew by almost 70 per cent. Registrations in the main continental European markets grew by about one third, while UK sales rose 12 per cent.

The company is engaged in a £150m three-year investment plan to improve production and develop new models. The most obvious result will be the new model planned for 1997, which is designed to take on Japanese sports utilities, such as Toyota's RAV4 and Honda's CR-V.

Amstrad turns sour for Sugar's choice

Paul Taylor looks at the surprise departure of David Rogers after less than 18 months

When Alan Sugar, Amstrad's outspoken chairman, picked David Rogers to be Amstrad's first chief executive, some analysts wondered whether their similar looks would translate into compatible business philosophies. Others speculated about how long the former Philips executive would last.

Yesterday's surprise announcement that Mr Rogers was quitting after less than 18 months of a three-year contract appeared to confirm the doubts.

Amstrad blossomed under Mr Sugar's mercurial leadership in the 1980s, helped by the buoyant market for home audio and video equipment, and the introduction of cut-price personal computers.

But the company's fortunes turned sour in the early 1990s, as new competitors entered the consumer electronics market. Amstrad plunged into losses and the share price tumbled.

Mr Sugar, the group's main shareholder with a 35 per cent stake, warned other holders that the group had run out of "blockbuster" new products and launched a 30p-a-share (now equivalent to 150p after a share consolidation) buy-back bid in December 1992.

His proposals were rejected and, in the face of criticism of the board, he promised he



Mirror image cracks: Alan Sugar (left) and David Rogers

would appoint Amstrad's first non-executive directors and split his own rules by appointing a chief executive.

Mr Geoff Samson and Mr Michael Beckett were appointed non-executive directors a few months later, but it took until the summer of last year for Mr Sugar to find a suitable candidate for the chief executive's job. Mr Rogers joined Amstrad with a clear mandate to restructure the group, in particular to stem the losses in its old core consumer

electronics business.

In November last year he unveiled his reorganisation strategy under which Amstrad has been turned into a holding company with operating subsidiaries in the consumer electronics, telecommunications and personal computer sectors.

Amstrad consumer electronics (Ace) was to be divided into two slimmed-down units, one performing a traditional trading role - buying products mostly from south-east Asia for sale in the UK - and the

other focused on spotting new business opportunities.

Meanwhile Mr Sugar, had begun spending some of Amstrad's substantial cash reserves on higher-growth businesses to take up the running from Ace. Amstrad repositioned itself in the PC market by withdrawing from the high-street price wars and acquiring Viglen, which manufactures and sells its PCs direct to customers. Dancell, a Danish cellular telephone developer bought from the receiver, began production

of advanced cellular phones. And, more recently, Amstrad acquired Dataflex Design, a UK-based modem maker.

As a result the group unveiled £3.05m pre-tax profit in October following three years of losses, despite continuing losses at Ace.

At that stage Amstrad's senior executives were suggesting Ace might break even. However, a recent internal strategy paper concluded that the old business could not be revitalised and would need to be scaled down far more. That position was endorsed in an eight-hour board meeting nine days ago at which Mr Rogers announced his decision to quit.

From the Ace range of products, Mr Beckett said PCs would probably be integrated into Viglen, the telecoms range would become part of Dancell and modems would fall under Dataflex. While Mr Rogers is said to have understood the logic behind this decision, he is believed to have felt that it left no real job for him. Amstrad will now look for a chief executive with financial expertise to play a coordinating role between the group's largely autonomous business units.

Mr Rogers' departure will be lamented by the City. Yesterday's share price fall reflects renewed nervousness about Amstrad's future.

Granada hits back at Forte's conglomerate jibe

By David Blackwell

Granada is planning a campaign next week to remind Forte's shareholders of the reasoning behind its £3.3bn (£5.05bn) hostile bid.

"When you get back to the basics we have put a very attractive offer on the table," said Mr Charles Allen, chief executive designate of the television, catering and leisure group.

Mr Allen yesterday described Granada's offer as inadequate, and repeated its jibe that Granada was turning itself into a conglomerate.

Mr Allen rejected that. "All our businesses are in the leisure sector - we are not an industrial diversified conglomerate."

Granada's campaign will follow Forte's last defence document, to be issued on Tuesday. The document is expected among other things to reveal how the £1.05bn from the sale of the roadside businesses will benefit Forte shareholders.

The sale of the roadside eateries - mainly Little Chef - to Whitbread, announced on Wednesday, is conditional on the failure of the Granada bid.

Mr Allen said the disposal was a mistake as synergies between the hotel and catering businesses would be lost. "The value is less when you split the two divisions," he said, rejecting the idea that Granada might be interested in scaling its bid down. "Our price reflects the synergistic benefits."

Those synergies are part of the £100m of savings Granada has claimed can be made in the year to September 1997. Mr Allen yesterday broke them down into four categories.

First the head office costs would be reduced as the operational structure of Forte was reorganised. Granada's head office staff of 24 would be increased to 32 - compared with Forte's 300 plus.

Second, purchases of food and beverages would be almost doubled to £380m, creating opportunities for better discounting.

Third, the marketing division would be rationalised, cutting Forte from more than 30 different agencies to three.

Fourth, the catering brands - particularly Little Chef - would be developed.

"We have done a very detailed review," said Mr Allen yesterday. "All of these

together would add up to more than £100m."

Granada also plans to remind shareholders of its results, announced the same day as the bid on November 22 and ahead of market expectations at £351m, up 32 per cent.

Since then Mr Allen said the bid battle had overshadowed other good news for Granada, including the eight new channels it will launch with BSkyB next year and the White Paper that will allow the group to add to its terrestrial television licences.

Many observers are convinced Granada will have to increase its offer on January 9 - the last day. But some analysts have questioned the 15 per cent increase Kleinwort Benson believes necessary if Granada's share price does not recover.

Granada shares closed up 1p at 844p, well below the 697p ahead of the bid. It is offering four new shares plus £23.25 cash for every 15 Forte shares, with a fully underwritten cash alternative of 321.67p.

At yesterday's close, excluding the 7.9p dividend, the offer values Forte shares at 324.6p. Forte shares closed down 2 1/2p at 329p.

Lloyds TSB shares rise to 343 1/2p

By Alison Smith, Investment Correspondent

The first day of operation for the merged Lloyds TSB Group saw shares in the combined organisation rise by 4 1/2p to close at 343 1/2p, despite some analysts' predictions that they would trade at a discount.

The increase, which gives the combined group a market capitalisation of £17.2bn (£26.48bn), suggests that investors continue to have confidence in the ability of the management to take costs out of the enlarged group.

The special dividend of 68.8p per TSB share will be paid on January 18.

The merger should give renewed impetus to the integration of the two organisations, by making it easier to press ahead with appointing senior management to posts in the joint group.

Although it was a separate transaction, the announcement yesterday that Lloyds Abbey Life, the life insurer largely owned by Lloyds TSB, was selling its German life assurance subsidiary, underlined the impression that the banking group intends to reinforce its focus on UK retail

financial services.

The dominance of Lloyds personnel at senior levels of the new group was confirmed as the bank announced that Mr Kent Atkinson, Lloyds' chief financial officer, would have the same position in the enlarged group, and that Mr Alistair Michie, Lloyds Bank's company secretary, would have that position in the group.

However, Mr Peter Ellwood, TSB chief executive, is deputy chief executive of the combined group, and has the key responsibility of bringing together the retail operations of the two banks.

LAL sells German offshoot

Lloyds Abbey Life, has sold its loss-making German subsidiary, ending a three-year search for a buyer, writes Patrick Harverson.

Haftpflichtverband der Deutschen Industrie (HDI), a large German mutual insurer, has agreed to pay £50m (£77m) cash for Transatlantische Lebensversicherungs (Transleben), although only after Lloyds Abbey has injected a final sum of DM5m into the business.

The small life assurance company has a book value of £80m and the UK group will incur a £35m exceptional charge in its 1996 accounts.

RESULTS

	Turnover (£m)	Pre-tax profit (£m)	EPS (p)	Current dividend (p)	Date of payment	Dividends corresponding dividend	Total for year	Total last year
BSB Design S	6 mths to Oct 31	0.537 (0.633)	0.08 (0.088)	1 (1.08)	-	-	ni	ni
BS & EA	Yr to June 30 +	54.4 (60.5)	7.13 (7.13)	57.9 (12.5)	ni	5.5	2.5	8
Stanaco S	6 mths to Aug 31	0.657 (0.631)	0.085 (0.047)	0.01 (0.01)	-	-	ni	ni

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. *Comparatives restated. †After exceptional charge. \$USM stock.



*We're toasting
twenty-six years
of Asia Pacific
exploration
and discovery
with a nice
cup of tea.*

It started in Indonesia, when we committed our skills to help meet the energy needs of growing Asia Pacific countries. Over the years, we've added billions of dollars to the region's economy. Our assets in the region exceed \$2 billion. Now, we're producing oil and gas in Indonesia, about to commence producing gas in China and exploring for petroleum elsewhere throughout the region.

ARCO was the first American oil company to initiate an exploration agreement with China. That was in 1981. Today, we are developing the

largest Chinese offshore natural gas discovery ever. It's in the South China Sea. Gas deliveries via an 800-kilometer undersea pipeline will begin to Hong Kong early next year.

Our Asia/Pacific commitment is stronger than ever. We are continuing our contribution to the region's economic growth with the resources of ARCO's four major businesses — petroleum exploration and production, refining and marketing, petrochemicals and coal mining. As each develops in the years ahead, we look forward to helping the region fulfill its economic promise.

ARCO

INVESTMENT TRUSTS - Cont.

Make	Price	Page
Isuzu GTR	26	180
Isuzu GTR	26	22
Isuzu GTR	123	144
Isuzu GTR	24	22
Isuzu GTR	24	22
Isuzu GTR	251	201
Isuzu GTR	493	805
Isuzu GTR	114	121
Isuzu GTR	557	79
Isuzu GTR	71	133
Isuzu GTR	71	841
Isuzu GTR	71	271
Isuzu GTR	271	274
Isuzu GTR	108	129
Isuzu GTR	136	140
Isuzu GTR	942	559

Long S&P Equities	189		189
Long S&P Rec Recovery	100	27	36
Warrants	31		178
Long S&P Lowrance	173		71
Long Amer Growth	70		18
Warrants	18		
Lowland	341		255
Lowland	221	2	194
Malvern UK Ind	157		57
Malvern	63		122
Marl Currie Euro	21		39
Warrants	100		182
Marl Currie Japan	33		40
Warrants	26		152
Marl Currie Pac	41		55
Warrants	284		289

Mercury Cash Propane	\$14.40	+0.00	82.5
Mercury Gas	25.4	—	32.5
Mercury Greenhouse	1.99	—	140
Mercury Hardware	7.95	—	802
Mercury World Map	83	+0.50	99
Mercury World Map	17	+0.50	31
Mercury World Map	350	-0.50	409
Mercury World Map	53	—	25
Mercury World Map	17	-1.00	87
Mercury World Map	577	—	577
Mercury World Map	524	—	108
Mercury World Map	62	—	46
Mercury World Map	147	—	183
Mercury World Map	28	—	43
Mercury World Map	109	-0.50	128
Mercury World Map	301	—	43
Mercury World Map	150	-0.50	164

Warrior	81	---	81
McGraw & Lohr Am. <input checked="" type="checkbox"/>	58 1/2	---	58 1/2
Warrior	21 1/2	---	21 1/2
McGraw Cong. <input checked="" type="checkbox"/>	82	---	82
Warrior	71 1/2	---	71 1/2
Murray East <input checked="" type="checkbox"/>	112 1/2	---	112 1/2
Warrior	18	---	18
Warrior European <input checked="" type="checkbox"/>	55 1/2	---	55 1/2
Warrior	61	---	61
Murray Inc. <input checked="" type="checkbox"/>	377 1/2	---	377 1/2
B	374	---	374
Murray Int. <input checked="" type="checkbox"/>	380 1/2	---	380 1/2
B	380	---	380
Murray South <input checked="" type="checkbox"/>	438 1/2	---	438 1/2
B	438	---	438
McGraw Ventures <input checked="" type="checkbox"/>	380	---	380

Mid Southern Aust.	891	85
Warrants	90	96
Midwest Iron Sm Co.	99	33
Warrants	99	33
Midwest Steel Co's	122	127
Warrants	291	34
New City & Comm.	99	110
Warrants	36	40
R.P.I. Deb 2006	ET1081	ET113
New Zealand	221	261
Newmarket V.	55	19
Nor Atlantic Sm Co's	307	321
Warrants	307	318
Northern Iron	3083	320
Old Midland SA.	119	120

Warrantors	360	362
Overseas Inv.	183	198
Overseas Inv. & L.	133	141
Pacific Assets	41	59
Sec. & Warrants	47 1/2	46
Sub. Horizon	206	217
Swedish Inv.	59	55
Warrants	126 1/2	126
Parities French	41 1/2	56
Parities Japan	41 1/2	46
Warrants	41 1/2	46
Popular U.S. Sav. Cert.	211 1/2	209
Personal Assets	103 1/2	125
Pilot Inv.	241	83
Warrants	263	263
Pragadoms	28 1/2	31
Pragadoms Income	251	254
Warrants	251	254
Pragadoms Inv.	251	254

Warrants	73	89
RIT Capital	210	212
21st Cn Lv 2000	\$289	\$210.1
Flatiron	83	83
Rkr & Hires Smir	138	141
Verast	43	43
St Andre	349	357
Sagecon Value	98d	102
Warrants	20	25
Schroder Asia P	105.4	107
Warrants	42	44
Schroder Inc Gmh	117.8	117
Warrants	31	31
Schroder Asia Gmh	94.4	96
Warrants	39.1	47
Schroder U.S. Gmh	118d	122
Warrants	37	40
Soot American	162d	171

[illegible]

Smaller C99	129	136
Warrants	45	51
White '99	261	38
Towson Inv	76	97
Warrants	29	45
Temple Bar	381	391
Templeton Ave	125	138
Templeton Elm	72	80
Templeton Ld Ave	72	80
Warrants	171	21
Thompson Cwe	261	381
Thompson Asian	108	114
Throg Mtd Inv	79	26
Throg 1000 Snd Cos	131	139
Warrants	17	25
Thompson 1st	7	85
Throg 1st	70	17
Throg 2nd	194	17

Pig Sals	98		182
TR Far East Inc.	174	-1	175
Warrants	68		71
TR High Inc.	128		133
Sub	27		34
TR Pacific	114	-2	119
TR Prop.	27		31
TR Sals	14		14
TR Smaller	203		208
Trust of Prop.	57		68
Trusty Trust	188		241
Warrants	82		128
US Smaller Cos.	198	+1	179
Warrants	80	+2	87
USOC	269		270
Value & Inc.	112	-2	117
Warrants	124		125
Warrants Euro Sals	28		35

Warrants	28	-1	43
Warrants & Vols. \$v	334	-	38
Wolfs Ind.	280	-	200
Wolfs Prop	574	-1	68
Warrants	16	---	22
Wolfs	284	---	21

Not issued values supplied by Northwest Securities Ltd.
 is a guide only. See guide to London Share Service.

INV TRUSTS SPLIT CAPITAL

Notes	Price	+ or -	52 week high
Approved by the Inland Revenue			
Carbosh Split Inv. Trst	77	---	80
Light	72	---	89
Light	72	---	89

Universal PFI Inc.	4-17	102	1071
Verde Div PI		186	185
Archimedes Inc.		186	255
City of Oxford	4-17	418	430
Warrants		28	341
Zen Div PI		3	8
Zen Div PI		112	116
Zenith-Cycl Inc.	4-8	58	67
3-20		18	21
Zen Div PI	4-17	98	101
Zenith Inc.		75	80
Zephy Inc.		36	39
Zephy Inc.	4-17	158	185
Zephy Inc.		338	345
Zephyr Air An Div.	4-17	58	146
Zephyr Div		102	145
Zephyr Income	4-17	330	68

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Unites	177	186	
Zoro Dev Pk	178	119	
Aluminum Inc.	3445	68	
	18	24	
Zoro Dev Pk	1831	194	
Artstone Bnd Inc.	130	183	
Zoro Dev Pk	130	221	
Unites	218	72	
Armstrong Corp Inc.	62	116	
Gap	180	186	
Zoro Dev Pk	186	186	
	5959	5959	
Sanstar Zoro Pk	5959	301	
Sanstar Zoro Pk	1223	1231	
Junior Zoro Pk	1194	1204	
One Corp Inc.	1000	113	
Shopped Pk	177	183	

Warrents	281
Warrents South	98
Warrents	14
Wascor Inc.	44
Wash Am Smlr Cos	191
Wash Emg Mkts	1042
Warrants	281
West Global Smlr Cos.	84
Warrents	22
West High Inc.	72
West Oriental	3
West Strategic	378
Westphal	2682
Westphal	437
Westphal House	8
Westphal Dev.	46
Westphal	14
Westphal Smlr Cos.	84

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Warrants <input type="checkbox"/>	31
MESCO Asia Trust <input type="checkbox"/>	86
Warrants <input type="checkbox"/>	30

WESCO Corp Ltd	81
WESCO Eng & Int	1386
WESCO Jap Disc	604
Warrants	281
WESCO Korea	133
Warrants	53
WESCO Tokyo	58
Warrants	29
W. Biotech Tel	181
Warrants	34
W. Tel of Int Tels	814
Warrants	57
Warrants Cap Gwth	1884
Warrants	214
Inc Ann	32
Units	137
W. & Shore East Cap	165
Warrants	15

Dr. Lin 2000..... \$2144₂

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● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (800) 471-1873 for more details.

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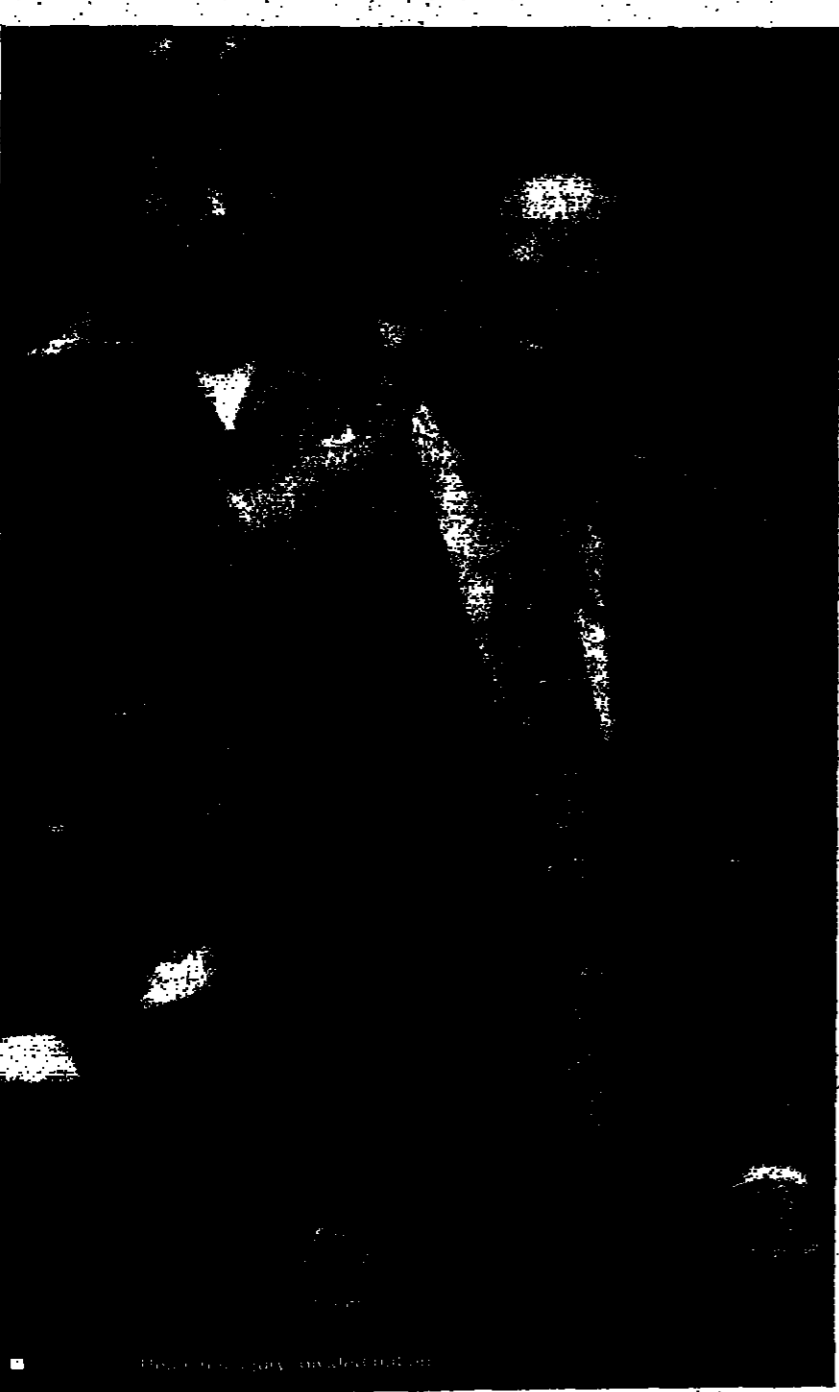
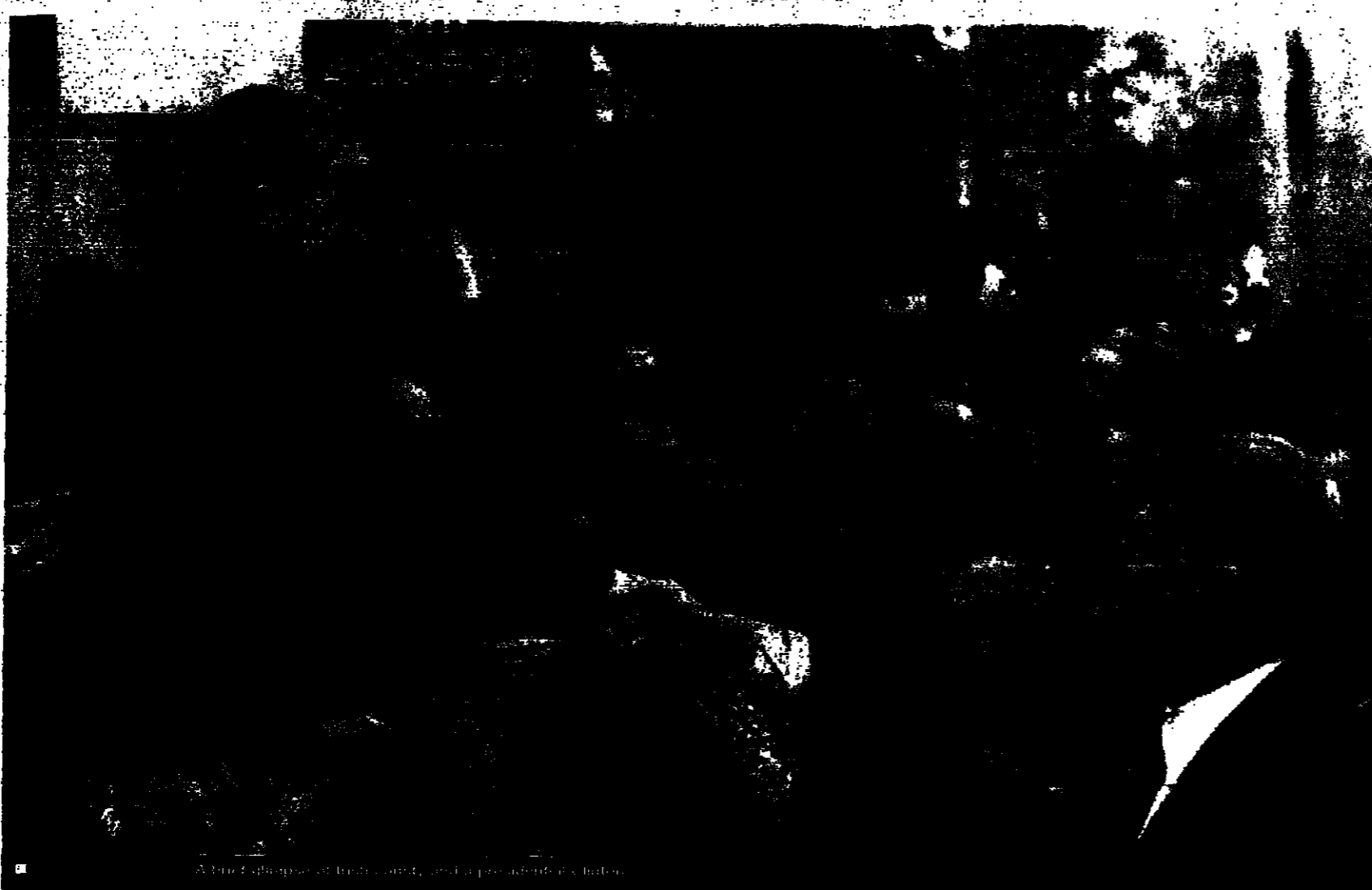
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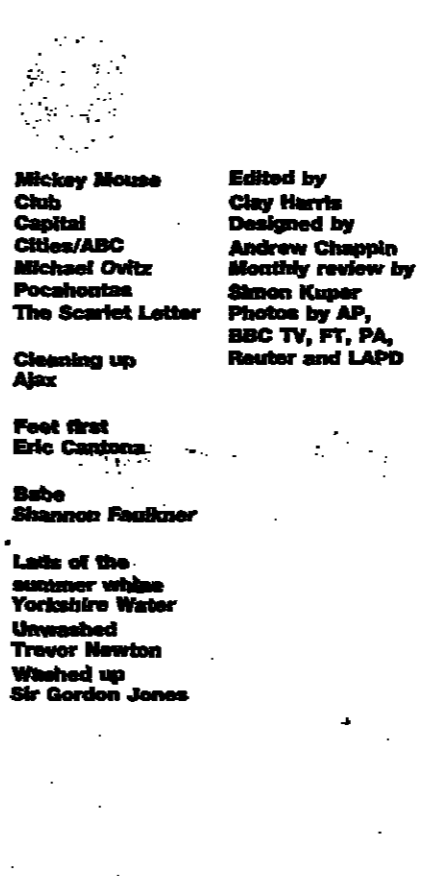
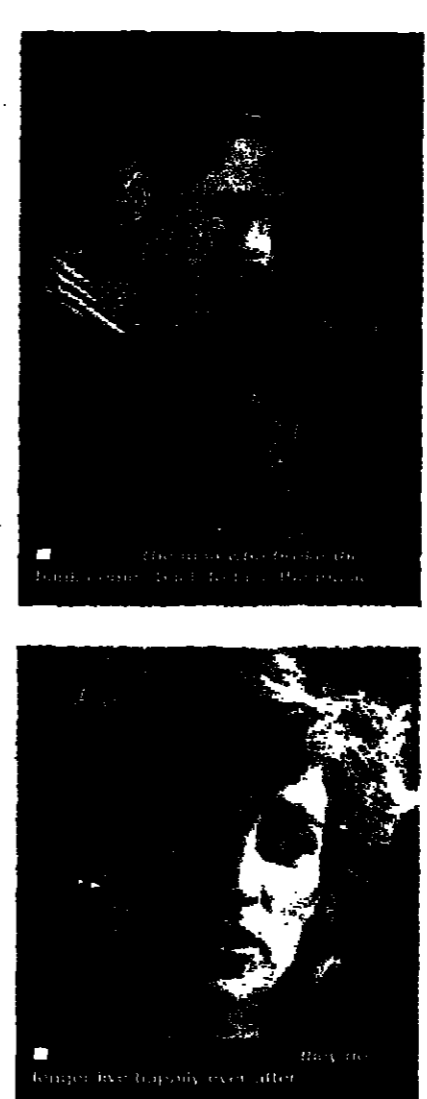
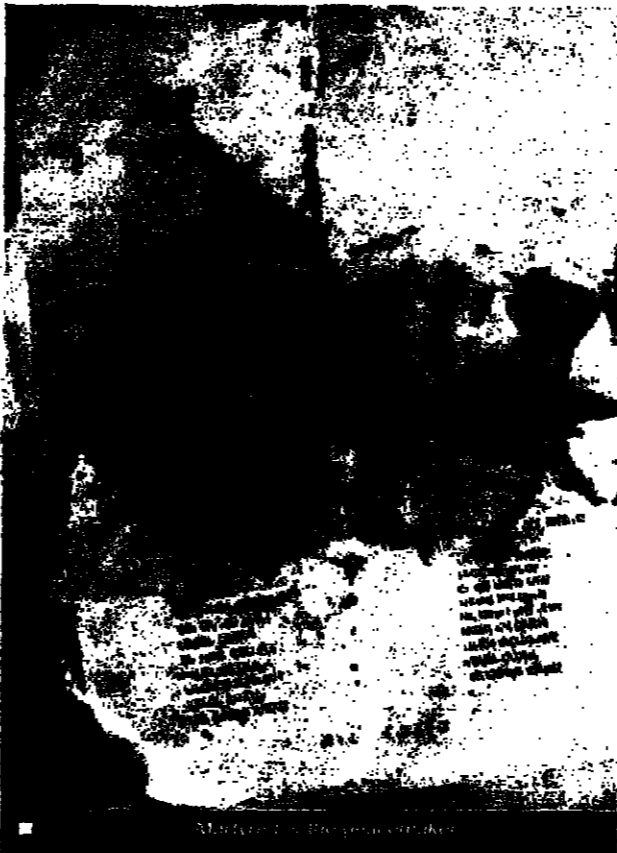
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THE YEAR 1995



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Chase Manhattan
Chemical Bank
Globe - Wellcome
Westinghouse -
CBS
Seagram - MCA
Swire Bank
Corporation -
S.G. Warburg
Dresdner Bank -
Kleinwort Benson
ING - Barings
Wardell Lynch -
Smith New Court
Cathay
Schweppes - Dr
Popeye
Rhone-Poulenc
Norddeutsche
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Gardiner Wharfedale
Lloyds Bank -
TSB Group
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Metropolitan - Pat
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Norweb
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Welsh Water -
Swalec
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Eaux -
Northumbrian
Water
Central and South
West - Seaboard
O&C - VSEL
Interbrew - Labatt
B&L - Lofan
Pharmacia -
Upjohn
L'Oréal -
Maybelline



"Well, there were three of us in this marriage, so it was a bit crowded."
The Princess of Wales

"I do not like the crudity of the words rich and poor."
Lord Gower

"Money is neutral."
Sir John Vickers

"I'm only going because it's the nearest school to home."
James Palmer, 13, on Eton

"Europe will be born naturally, without foreplay."
Jacques Chirac

"Does anyone who drinks champagne in shorts and vest deserve to be England rugby captain?"
Letter in Daily Telegraph

"In Derbyshire you can buy a desk, a diary, put a roof on a house, fill the room with furniture and put a Rover Sterling in the garage for £150,000."
Dennis Skinner MP on Michael Heseltine's £150,000 "desk, diary"

"Money, I ain't got no sideways."
Apocryphal statement falsely attributed to then Jeremy Norman

"Rubber group faces limbo with confidence."
Financial Times

"There will be big turmoil in Europe. We want to be ready for the digit."
Michel Thoulouze of Canal Plus

"I had thought very carefully about committing hara-kiri over this, but I overruled this morning."
Former Japanese labour minister Toshio Yamaguchi after being charged with breach of trust

"It's an ancient country with an ancient history and highly educated people but it's enough to say 'you'll have a lot of vodka and a lot of sausage and we'll resettle the Chechens to somewhere in the Indian Ocean' to win votes."
Andrei Malutin, deputy head of Vladivostok stock exchange, predicting communist-nationalist landslide

"When seagulls follow the trawler, it is because they think sardines will be thrown into the sea."
Eric Cantona

"It is a source of great relief that the United States has elected a vice president who uses the word 'Cartesian' at the expense of one who could not spell the word 'potato'."
London Review of Books

"Flooding criminals live on television before or after the National Lottery draw will create a great impact on other thugs who go out armed with guns or commit violent crimes all for the sake of a few pence."
Tory MP Elizabeth Peacock

"I had given up smoking last year, but this has been so traumatic I have started again."
Nick Leeson's father-in-law

"I'm a silly old fool and I don't deserve the attention."
Stephen Fry

"Too much 'Yo' and not enough 'Ho' is a common mistake."
Tom Valent, professional Santa Claus trainer

"We feel that we are essentially in a position of having a timescale due to the holiday season rather than the opportunity for an open-ended process."
The Maxwell jury

JULY

John Major defeats John Redwood to remain Tory party leader. He gets 218 votes to Redwood's 89, while 20 MPs abstain or spoil their ballots. "Chickens hand it to Blair," says the Sun. Major's pre-poll meeting with Michael Heseltine is much noted. After the re-election comes the reshuffle. Virginia Bottomley loses health for national heritage - after which Tory embarrasements on health virtually cease - and Malcolm Rifkind becomes foreign secretary. Michael Portillo leaves employment for defence, and sees his old department merged with education. The biggest winner is Heseltine, who becomes deputy prime minister.

Sebenica, one of six UN safe areas in Bosnia, falls to a Serb attack, and reports emerge of Bosnian Serb forces expelling up to 6,000 Muslims from trying to flee to government-controlled territory.

Walt Disney pays \$19.1bn for Capital Cities/ABC, creating the world's biggest entertainment company. National & Provincial Building Society recommends accepting a takeover by Abbey National, opening the way for RNP members to receive free Abbey shares. President Bill Clinton re-establishes diplomatic links with Vietnam. President Boris Yeltsin admits a week late he has had a heart attack, and Ann-Sun Sun Kyi, Burmese opposition leader and Nobel Peace Prize winner, is freed from house arrest.

AUGUST

A hot month, and a month of mania about the information superhighway. Microsoft launches Windows 95, a programme which eases access to the Internet, to worldwide hype. Shares in Netscape, a company providing "browser" software for the Internet, - offered at \$28 - close at \$80 after one day. This value the company at \$2.1bn. It has never made a profit. By December, Netscape shares are trading above \$120, after hitting \$171.

Madness on a smaller scale in the pop music charts as Blur beats Oasis in a battle for Britain's number one single.

Chase Manhattan and Chemical Bank merge to create America's biggest bank, with assets of about \$360bn, topping the year's wave of US banking mergers. Chemical is in the driving seat but the new creation is called Chase Manhattan.

A wave of attacks on Tony Blair dies down when it emerges that one of them, published in London's Evening Standard, was written not by Bryan Gould, the former shadow cabinet member, but by Nick Howard, teenage son of the home secretary. The article began: "I was three-and-a-half during the Winter of Discontent." Rugby union declares itself professional. A Croat blitzkrieg expels Serbs from Croatia's Krajina region. A Serb mortar bomb kills 37 people in Sarajevo market place, triggering a Nato bombing campaign that lasts a fortnight.

SEPTEMBER

Another Nick Leeson emerges: Toshitake Iguchi, a bad-tempered 44-year-old former Daiwa Bank, is alleged to have lost the bank about \$1.1bn. He wrote to Daiwa managers in June admitting that he had concealed more than 30,000 membered trades since 1984. In a secret document, the World Bank proposes creating an \$11bn trust fund to help the world's 40 poorest countries pay off some of their \$160bn foreign debt. Eurotunnel's 225 banks agree to restructure its debts.

France carries out the first in a series of nuclear tests in the South Pacific. Most nations protest. Jacques Chirac ignores them. The dollar rises again, breaking through the \$100 mark, and Kenneth Clarke scores a victory in the UK. Eddie George, governor of the Bank of England, publicly says he will stop advising him to raise interest rates.

The Net Book Agreement, one of the last lawful cartels in the UK, finally collapses when three large publishing groups pull out of it. European football's transfer system looks like collapsing too, as the European Court of Justice's advocate general - later confirmed by the court itself - calls it illegal. Israel's Yitzhak Rabin and the PLO's Yasser Arafat sign an accord establishing Palestinian self-rule in most of the West Bank.

OCTOBER

J Simpson is acquitted of murdering Nicole Simpson and Ronald Goldman. Most American whites say he did it, and most blacks say he didn't. The Million Man March draws several hundred thousand black men to Washington, where they are addressed by Louis Farrakhan, leader of the Nation of Islam. President Clinton says white Americans must "acknowledge the truth of black pain".

Quebeckers vote, by the thinnest of margins, to remain part of Canada. Before they do, a Quebec disc jockey rings Buckingham Palace, claiming to be the Canadian prime minister, and is put through to the Queen. He broadcasts part of their conversation.

Tory MP Alan Howarth defects to Labour just before his old party's conference. Michael Howard deals with a damning report into January escapes from Parkhurst by sacking Derek Lewis as head of the prison service. Extracts from Ritt Ejersegard's Commissioner's Diary are published in a Danish newspaper. Nobel prize: Robert Lucas wins (economics), Seamus Heaney (literature), Joseph Rothblat (peace). Boris Yeltsin suffers a second mild heart attack. Willy Claes resigns as Nato secretary-general. Former South Korean president Roh Tae-woo admits amassing \$75m slush fund from secret donations. An underground railway fire in Baku kills more than 300 people.

NOVEMBER

Yitzhak Rabin is killed by Yigal Amir, a right-wing student, after a peace rally in Jerusalem. Shimon Peres becomes acting prime minister. Bosnia, Serbia and Croatia agree on borders of Bosnian state divided between a Serb zone and a Muslim-Croat Federation. President Clinton turns to persuading Congress to let him send US soldiers to help keep the peace.

French public sector workers strike over prime minister Alain Juppé's attempt to reform the welfare state and to cut deficits. Kenneth Clarke cuts the standard income tax rate by 1p to 24p. The Dow closes above 5,000 for the first time.

Nigeria executes the Ogoniland activist Ken Saro-wiwa and eight others. Despite calls for boycotts, only minor sanctions are implemented. (If you are a Nigerian military officer, it is now slightly harder to travel abroad.) Shell comes under huge public pressure for the second time this year, now over links with Nigeria.

Granada launches £2.5bn hostile bid for Fortis. Rosemary West is jailed for life after being convicted for ten murders in Gloucestershire. Nick Leeson returns to Singapore to face trial. Russia reschedules \$32.5bn of Soviet debt. Today newspaper is closed. Pat Barker's The Ghost Road wins Booker Prize. Diana says on television that she too has committed adultery, Charles should not be king, and royal household was "the enemy".

DECEMBER

The Communist Party takes the largest share of the vote in Russia's parliamentary elections, and Vladimir Zhirinovskiy's oxymoronic Liberal Democratic Party comes second. The European Union chooses "Euro" as the name for its single currency. UK interest rates cut by 1/4 point to 6.5 per cent. The Bundesbank cuts short-term interest rates by 1/2 point, the Fed follows with 1/4 point reduction. Nick Leeson gets 6 1/2 years in prison. Duchess of York briefly loses £250,000 of royal jewels.

Gianni Agnelli, Fiat chairman, says he will step down in favour of Cesare Romiti, the group's 72-year-old chief executive officer. Brixton is hit by one night of rioting after a black man dies in police custody. China jails Wei Jingsheng, its most prominent dissident, for 14 years. National Westminster Bank sells its US retail banking subsidiary. Captain Mike Atherton saves England from defeat in a South African Test match by batting for 64 minutes. In November, the talk in Britain was of making divorce more difficult, now it's more likely to be mandatory - the Queen commands Charles and Diana to seek an early divorce. Tory defections and unintended absences combine to defeat the government on fisheries policy. John Major ends the year the way he began it - embattled.

MANAGEMENT

When Eurotunnel, the Anglo-French operator of the cross-Channel rail link, announced the inaugural meeting of a committee of shareholders late last month, it was following a growing trend among French companies to explore new ways of communicating with its individual investors.

Patrick Ponsolle, joint chairman of the group, says he has tried to introduce the best elements of both business cultures into the management of the group. When it comes to relations with shareholders, it is to France that he has turned for inspiration.

While British companies have long faced the challenge of dealing with large numbers of shareholders, and have a history of close relations with institutions, French companies are beginning to develop a reputation for innovation in discussions with individual investors.

In October, for example, Union des Assurances de Paris (UAP), the insurance group, organised its first regional meeting. It attracted about 400 shareholders to a presentation and question session hosted by Jacques Friedman, the chairman, in the northern city of Lille.

Air Liquide, the chemicals group, is generally seen as the pioneer in the field. "All the other companies have come to us for advice," says Jean-Claude Delvaux, head of the shareholder service.

It created its first shareholders' committee in 1986, and now offers other services including two information lines on Minitel, France's teletext service, and a free telephone inquiry service currently receiving 300 calls a day.

At the last count, about a dozen large French groups had followed the trend to launch shareholders' committees, including Société Générale, the bank, which has operated one since 1988, and then in the 1990s Total, Elf, Rhône Poulenc and Lafarge Coppee.

Businesses are pursuing other approaches to communication to try to build a rapport with investors. Jean-Pierre Rusult, general secretary of UAP, says 7,000 people have now enlisted in the group's "shareholder circle". Every member receives a brochure explaining financial terms, summary accounts and regular copies of the company's press releases.

"It is important to understand what shareholders want," he says. "It is our duty. They ask about our strategy and policies. It is not us who talk but them."

The drive towards greater emphasis on communication has been driven partly by necessity. As in the UK and other countries, privatisation programmes since the late 1990s in France have created a large change in share ownership figures. There are now some 10.5m share-



Eurotunnel joint chairman Patrick Ponsolle turned to France for inspiration

A question of trust

French companies are trying to build a rapport with individual investors, says Andrew Jack

holders in the country - up from 2.4m in 1978, but down from a peak of 14m in 1991.

Equally, it reflects a broader interest in a host of corporate governance measures being adopted in France, notably by more internationally-focused companies under pressure from foreign investors and customers. Shareholder communication is being introduced alongside audit and remuneration committees, and growing numbers of independent board directors.

But there are also some very practical reasons for the change in approach. Potentially, shareholders wield considerable power in France,

a country without its own developed pension funds. They have begun to exercise it by requesting that magistrates start investigations against companies in which they believe there may be poor management.

The disappointing performance of many French companies' shares over the last few years has created a group of investors that needs to be placated - not only the many hundreds of thousands who bought into the privatisations of groups such as UAP and Suez, but also individual investors in Eurotunnel, which has more than 500,000 French shareholders.

More positively, some companies see communication as an important way of developing shareholder loyalty. "They tend to be more trusting and to hold for the long term," says Delvaux.

As a result, the company has placed great emphasis on making a break from France's predominantly "bearer" share system, in which shares are held by banks and other financial institutions on behalf of individuals, whose identities are unknown to the company.

In its place, it has tried to enlist shareholders directly as "nominative" investors, whose names and addresses it holds. That allows it to make dividend payments and other shareholder transactions directly with shareholders, side-stepping the commissions they must otherwise pay to the bearer banks. Nearly 130,000 of Air Liquide's 300,000 individual shareholders are now in the system, who in turn own 61 per cent of the total share capital.

The result is that the chairman was able to write to shareholders individually to reassure them of the company's position during difficult times for the stock market, such as during the 1987 crash and the 1990 Gulf war.

A few French companies have gone further in cultivating smaller shareholders. Crédit Local de France, the banking group, and now Eurotunnel, have appointed private investors to their boards. Earlier this year, Paribas recruited Colette Neuville, a shareholder activist, on to its supervisory board.

But to whom are they accountable? The Vénat report on corporate governance in France this summer stressed that all directors of a company should represent its interests, not their own. It is a view shared by Maurice Le Maire, Eurotunnel's new appointee. "I am representative of the shareholders but I am not there to represent shareholders," he says.

Even the less ambitious aims of shareholders' committees have their limitations. Neuville argues instead for independent associations, launched by the investors, which would give them far greater freedom to show their strength by asking questions and bringing resolutions to annual general meetings.

Certainly, Ponsolle concedes that shareholders' committees are "not a substitute for the board", and are largely about improving public relations rather than giving investors any wider-ranging participation in the management of their company.

On their own modest terms, shareholders' committees can prove effective. How much so depends on corporate commitment. As Delvaux puts it: "You have to see what the spirit is of companies introducing committees. Some are using them as gadgets or an alibi. We are in it for the long term."

JOHN KAY

Father Christmas does not exist



Every year, millions of children believe that Father Christmas comes down the chimney to deliver presents, in return for nothing more than a glass of milk. Every year, some of these millions of children suffer a rude shock. They learn that Father Christmas does not exist, and that the men with red robes and white beards whom they see in the week before Christmas are all impostors.

Something similar is true in business. There is no Father Christmas there either, and those who wear his clothes are either deceivers or are themselves deceived. Yet there are many who believe otherwise, and each year some of them, ruefully, discover their mistake.

Christmas 1994 was the last of childhood illusion for Peter Baring and colleagues. It was remarkably easy, he had assured the Bank of England, to make profits by arcane arbitrage trades in derivatives in Far East markets.

He didn't know exactly how Father Christmas got down the chimney, but regular as clockwork the present arrived. Until Father Christmas took an aeroplane ticket to prison.

There is only one way in which companies make profits on a sustained and sustainable basis, which is to add value for their customers and to do so in ways that other people can't.

That simple and obvious truth is easily forgotten by those who would like to believe that at least for them, Christmas has come round early.

Investors, who may know very little about the businesses to which they commit their funds, are the most readily taken in. They believed that Polly Peck could build a £20m company out of putting North Cyprus fruit into cardboard boxes. They were also attracted to the excess of loss syndicates in Lloyd's of London, or to providing mortgage indemnity guarantees.

After all, what could be a better investment than an insurance business that took

premiums but had never had to pay anything out? These examples seem easy enough to see through, although they were not easy enough to see through for those investors, by no means all of them unsophisticated, who lost money in the activities concerned.

However, they do illustrate the two fundamental questions that anyone in business should ask when they think they have met Father Christmas. Does this activity add value to customers that corresponds, at least roughly, to the profits which are earned from it?

And if this is such a rewarding

The fallacy is to think that by simply interposing yourself in a transaction you can collect a return - like those usherettes in French cinemas who must be tipped before they will get out of your way

business, is there a reason why the opportunity is specifically available to me? If you can't answer "yes" to both these questions, then the story you are being told either isn't true or won't last.

You don't, for long, make more money than you add value. Take GPA, the aircraft leasing company which, from a small office in Shannon, borrowed money from the world's leading banks to lend to the world's leading airlines.

I don't know how you can add value of hundreds of millions of pounds a year doing that, and nor - when it came to the point - did the investors who were asked to take shares in the company's flotation.

Indeed, it is hard to see how you can ever add much value as financial intermediary between large companies or governments. With hundreds of banks trying to do just that, this may be the

reason why it yields them prestige and expands their balance sheets while doing nothing for their profitability.

The fallacy is to think that by simply interposing yourself in a transaction you can collect a return, like those usherettes in French cinemas who must be tipped before they will get out of your way.

Yet people in business go on thinking that by vertical integration they can acquire the "manufacturer's profit" or the "retailer's turn", or that they will do better to "cut out the middle man". Or that they will make more money if they cross-sell, or offer a one-stop shop.

In a competitive market, what manufacturers, retailers and middle men earn is exactly equal to both the cost and the value of the services they provide.

It follows that restructuring the value chain will give you nothing unless you either enhance that value, or there is some specific and particular reason why you can provide these same services at lower cost. Or, of course, you may not be operating in a competitive market.

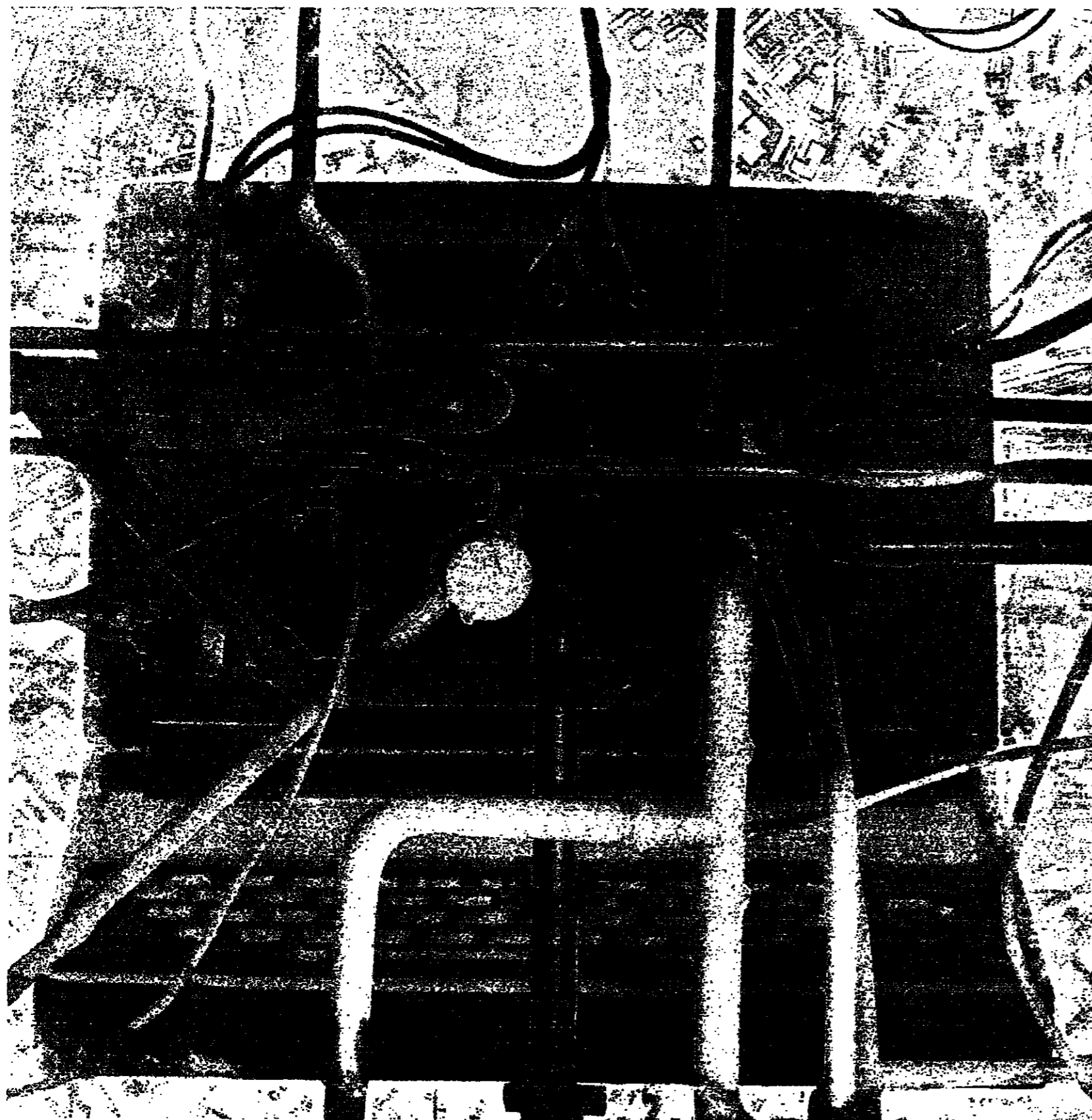
So, regional electricity companies still have their "supply business", and argue with their regulator about the return they should earn on it.

When you have a monopoly, you can charge for "supply", but once you are in a competitive market - which they will face from 1998 - there is no margin for supply because there is no value-adding activity.

You can earn a return for generating electricity, or sending a bill; but there is no percentage margin for supply. And there is no longer 15 per cent for helping a householder to fill in an insurance proposal form. Direct writers have shown that traditional retail broking is as valuable as the French usherette.

So, when you tell your children that there is no Father Christmas in Lapland, tell them there is none in commerce either.

And when someone describes the projected return from a business to you, measure it in close relation to the value that you yourself will add.



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COMMENT & ANALYSIS

LEADERS FOR A
NEW MILLENNIUM

David Willetts and Peter Mandelson • By Philip Stephens

The boys from the backrooms

Politics in Britain runs in search of an idea. Exhausted in office and divided over Europe, Mr John Major's Conservatives are searching for the certainties of 1980s Thatcherism. Mr Tony Blair's Labour party has jettisoned the socialist icons which kept it out of office for a generation. Mr Blair hopes to re-invent Labour in government. Win or lose, the Conservatives likewise will be obliged to recalibrate their ideological compass.

Neither party suffers an embarrassment of political thinkers. The cabinet looks jaded. Many in the shadow cabinet are struggling to come to terms with the speed with which Mr Blair is sweeping away the old ideology. Look five or 10 years on, however, and two young men stake a claim to the politics of the new millennium.

Mr David Willetts and Mr Peter Mandelson have hitherto played mainly backroom roles, although in Mr Mandelson's case not without some notoriety. Both still hold relatively modest positions in their respective party hierarchies. Mr Willetts is the minister for public services, Mr Mandelson his Labour shadow. But the formal titles belie their influence.

There are other parallels in their careers. As head of Mrs Margaret Thatcher's Downing Street policy unit in the mid-1980s, Mr Willetts was influential in shaping many of the policies, such as privatisation, which defined her premiership. For his part, Mr Mandelson was in at the start of Labour's long retreat from state socialism. As Mr Neil Kinnock's campaign director, he remade the party's public image and oversaw the first stage of the policy changes designed to restore its electability. Both men first entered parliament in 1982 and have recently served apprenticeships as junior whips, or party managers, at Westminster.

Mr Willetts, the 38-year-old MP for Havant, is aware that the free-market philosophy of the 1980s has been losing its resonance with the electorate. Old enemies – the trade unions, big state-owned corporations, the Soviet empire – have long been vanquished. The new insecurities created by rapid technological change and global competition have sapped the enthusiasm of middle class Tory voters for free-market solutions.

While some of his colleagues on the right want to embrace the radical anti-governmentalism of Mr Newt Gingrich's Republicans, Mr Willetts knows that elections in Britain are not won



Peter Mandelson:
There is nothing wrong
with capitalism with
a social conscience
or a human face

from the extreme right or left. Mrs Thatcher moved the centre ground of politics, but she never deserted it.

So in place of a bold new prospectus, Mr Willetts offers an agenda of right-ish reassurance in which gradualism and radicalism are not mutually exclusive. "Firstly," he remarks, "we have to clear away misconceptions about the free market... the belief that it is somehow un-British, that it erodes local communities, or is a threat to the ways of life we value." The reality is, he says, that the free market has been deeply embedded in the British way of life since the Middle Ages and the industrial revolution.

Alongside this essentially defensive operation, Mr Willetts says Conservatives must persuade the electorate that their central principles of "choice, opportunity and enterprise are as relevant now as they ever were". The competitive challenges from Asia and other fast-developing regions demand deregulation and flexible employment markets. They will not be met by the "soggy, continental social democracy, circa 1980" on offer from Mr Blair.

In Mr Willetts' mind the real threat to social cohesion comes not from small

government or liberal economics but from powerful interest groups engaged in a "Robbesian battle" for spending, tax and regulatory favours. Sane sceptical towards Europe, he speaks also of sustaining the nation's Britishness: "I am a great admirer of modern Germany but we have our own distinctive set of national institutions".

His soft-spoken concern for national and social institutions – the family is the bedrock of stability – does not presume an end to market-driven change. Often the reverse. Take one example: "Technological advance makes free-market solutions possible in a way that they were not before... road pricing was always an interesting academic theory, but we are just beginning to reach the point where you can price the time people spend in their cars."

Mr Willetts sees the state shrinking further: "One of the great advantages of rising prosperity is that it is possible for people to save more for themselves... There is scope for shifting further from public provision to private provision across the welfare state. That is the direction in which things are going and we can still go a lot further."

Across the divide, Mr Mandelson offers a different perspective. Alternately respected and loathed in his own party for his successes as media manipulator and agent of a modernising leadership, Mr Mandelson has moved on from "spin-doctoring" to the task of adding substance to the outlines of Blairite social democracy.

Although he is the grandson of Herbert Morrison, one of the most powerful figures in the reforming Labour government of 1945, Mr Mandelson is scornful of "big ideas". "You don't have grand ideologies of either the left or right in politics any longer. What you have is different approaches to managing issues, responding to challenges, devising public policies which are based on different sets of values."

He makes no apology to Labour traditionalists for the upheavals of the past few years. "The party allowed its thinking to atrophy and its structures to ossify." Nor is he afraid to jettison the old rhetoric. "Let me make the point on the record. There is nothing wrong with capitalism with a social conscience or a human face. The idea that you must choose between efficient capitalism or social justice is one we reject."

But, rehearsing a forthcoming book which will set out his ideas at some



David Willetts:
I am a great admirer of
modern Germany but
we have our own set of
national institutions

length, he is adamant that Labour, or New Labour as the party now calls itself, has not simply bought a Tory prescription. Mr Blair's social democracy would mark a clear break with Conservative rule by "reconciling the necessary freedoms of the market with the wider responsibility which markets owe to the community".

The 43-year-old MP for Hartlepool warns to the theme: "We are trying to marry the disciplines of the market and the rigours of competition with a social cohesion which was shunned in the 1980s but which is not only necessary to enable people to live better lives but is also a vital foundation for prosperity." The answer lies in public-private-sector partnerships, in a radical upgrading and extension of educational opportunities, and in a welfare system which is universal in reach but based on private as well as public insurance.

Neither man, you might conclude, offers an agenda to set the pulse racing. But perhaps they are wise in judging that the irresistible economic and technological forces which will shape the new millennium promise upheaval enough for a worried electorate.

Office workers tangled
in the sheets

Businesses are swamped by paper despite the growth of electronic communications, says Gillian Tett

When some 200,000 people return to their offices in January, they will have one less Christmas card to remove from their desks. For in a spirit of waste reduction, Midland Bank has donated £75,000 to charity this Christmas instead of the £90,000 it usually spends on around 215,000 corporate cards.

Yet the depressing reality is that the volume of paper circulating around offices is growing, not falling. Indeed, although new electronic technology was once supposed to reduce paper use, it may even be adding to the pile.

The anecdotal tales of this paper tide are legion. A survey by management consultants Touche Ross found that 90 per cent of companies and 75 per cent of people reported problems with paperwork – a higher proportion than two years before.

Meanwhile, Ms Irene Dornier, chief operating officer at Midland Bank's foreign exchange trading floor, is typical of many managers in saying she is "growing under the weight" of an expanding in-tray.

She says: "The amount of internally generated paper is growing, while junk mail is rising too. On Monday morning most of my mail goes straight into the bin. And the danger of this is that it is becoming harder to sort important papers from unimportant."

These complaints are also reflected in the statistics. Department of Environment figures suggest that between 1984 and 1993 UK paper consumption grew by 40 per cent, to reach almost 11m tonnes. The Pulp and Paper Information Centre believes that about a third of this is office-based. Some industry analysts estimate that the use of office paper is growing about 20 per cent a year – after soaring 600 per cent in the past 25 years.

Quite why paper should be growing so fast, in spite of the surge of electronic communication systems such as

e-mail, is a matter of dispute. Some observers like Mr David Best of Touche Ross think the real problem is insufficient technology. "E-mail is having a major impact in reducing paper in pharmaceuticals and financial services and the public sector; it is medium-sized companies who have not got down at all. Only a per cent of workers are regular users of computers," he says.

But technology itself may also be to blame. The spread of the fax machine and photocopier makes it easy to spew out more documents.

Another factor is growing pressure for inter-organisational communication. The Bank of England, for example, believes it has reduced the level of paper used internally by introducing an electronic message system, but it is now publishing more documents than ever before – and receiving more papers from outside, particularly stemming from work on the single currency.

Many professions blame the growing complexity of work. As a partner in one leading City law firm says: "As transactions get more complicated that means more words which means more paper. Lawyers are animals who like things on paper rather than on screen. They need a paper trail."

Whatever the reasons for this growing mountain, the most striking feature is just how few companies are actually monitoring it.

Some groups are pressing ahead with recycling schemes. Companies ranging from UBS, the investment bank, to Imperial Chemical Industries have recently installed recycling bins in their offices. The Department of the Environment is also practising what it preaches by recycling a growing proportion of the 197.5 tonnes of paper it used last year.

However, the waste industry business insists this is still a tiny amount of the total – even though waste paper prices

have risen sharply this year. Mr Ted Jeffery, commercial director of Severnside, the recycling group, says: "A lot of companies just can't be bothered with recycling. We have all the mechanisms in place to harvest the paper but we can't always get the message across."

And irrespective of recycling, many companies admit that they have no central statistics on the amount of paper their employees are coping with. This is partly because paper purchasing is split between different departments – and partly because there is little monitoring of incoming mail.

Boots, the chemists chain, and retailer Marks and Spencer, for example, both have policies to reduce the amount of internal paper and boost recycling. Indeed, M&S is now selling its waste paper for £100 a tonne. But although it has conducted regular internal paper reviews, they find it easier to produce recycling figures than data on overall paper consumption.

Some environmental enthusiasts hope that the recent debate about Christmas card policy might serve as a small spur to a change in the attitude.

Few companies have followed Midland Bank's lead by banning cards altogether. But a growing number are now trying to put a green gloss on their binges by using cards made from "renewable" forests. The Post Office and Boots have also set up projects to encourage the public and companies to recycle their cards.

Meanwhile, some Treasury officials have gone a step further, and are considering sending greetings by e-mail instead of paper.

Despite the good intentions, the paper tide will not be beaten back without some radical corporate action and a sea change in employee behaviour. Until then, the prospect of a paperless office is as much of a fantasy as the Santa Claus on Christmas cards now heading for the bin.

LETTERS TO THE EDITOR

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Regulated water subsidiaries
should be separately listed

From Mr Ian Byatt.
Sir, Lex (December 28) looks at only one aspect of a complex regulatory issue.

The most important argument for a separate stock exchange listing for a regulated water company, when part of a larger group, is to strengthen its ring-fencing. One existing requirement is that a majority of the directors of a listed subsidiary are independent of the parent. This ensures that any decisions taken by the board of the subsidiary are truly in its interests and do not take account of any conflicting interests of the group.

This would protect the customers of the utility, reinforcing the legislative requirements for dealing at arm's length between the regulated water company and other companies in the group, and for separate accounting of the regulated business. The threat of takeover is an important spur to

management. But separate listing can increase exposure, compared with a situation where the subsidiary utility is hidden within the larger group. If the utility is seen to be underperforming, there is a greater incentive to bid for the group either to change the management of the utility, or to unbundle it further. The benefit should outweigh any inhibition of a requirement for separate listing.

Lex plays down the importance of stock market information in regulation. Of course such information requires some interpretation, but the market valuation of a subsidiary would provide an independent assessment which can be compared with the regulatory capital value used in setting price limits which provide a reasonable return on capital, to enable the utility to finance its investment, without making monopolistic returns. It also provides readings for dividend and earnings yields

and a yardstick for assessing interest and dividend covers. Dividends paid by a separately listed subsidiary would reflect the views of the subsidiary board on what was appropriate for the subsidiary, rather than the group.

I agree with Lex that the regulator should welcome takeovers which will force water companies to make their assets sweat – but not to strip them, or milk them to cover up deficiencies in management elsewhere. Where non-water business is significant, regulated water utility subsidiaries should, perhaps, generally be separately listed. This would be consistent with their licences.

Let us start where existing information is about to disappear.

Ian Byatt,
Ofwat,
Centre City Tower,
7 Hill Street,
Birmingham B5 4UA, UK

Why owners
prefer not
to speak

From Mr Robert A.G. Monks.
Sir, Alan Clements's "Cadbury: owners must speak" (December 18) is right on the mark. It must be recognised that owners don't speak, because owners do not want to.

First, it involves change; second, the trouble and expense in being informed; and, most ominously, it involves commercial risk. This would be immaterial if the courts required the trustee/institutional investors to resolve "conflicting interests" in favour of their beneficiaries. Such has not yet occurred. Management has in its gift the best of very profitable relationships. Fiduciary owners will speak only if and to the extent that corporate management determines such to be in their own interest.

Robert A.G. Monks,
Lens, Suite 620 North
601 Thirteenth Street NW,
Washington DC 20005, US

Nominal
behaviour

From Mr Simon Briscoe.
Sir, Samuel Brittan's excellent exposition of the state of consumer confidence in the UK, "Economic viewpoint" (December 21), misses a "Brittan-esque" punch line.

The article says national authorities "have moved some way towards behaving as if they were operating on nominal demand". I believe the crisis of confidence reflects the consumers' move to nominal terms behaviour.

Incomes hovered around double-digit growth for two decades, so the 3 per cent growth of the 1990s comes as something of a shock. Add job insecurity and the lack of "jobs for life" and it will take more than a couple of tax-cutting budgets to improve sentiment.

Simon Briscoe,
UK economist,
Nikko Europe,
55 Victoria Street,
London SW1E 0EU, UK

Lukoil management was not
involved in transaction

From Mr Peter Neyer.
Sir, We would like to comment on your December 8 article "Russian consortium buys 5 per cent of Lukoil" and Lex item "Crude tactics".

While we are not a proponent of the loans-for-shares programme, we do understand the Russian government's immediate cash needs and strongly support its overall efforts and its economic progress to date. Given our previous efforts, primarily through our convertible bond offer, in selling the government's shares in Lukoil and repatriating funds, we were able to keep the Lukoil shares subject to the programme at 5 per cent.

The programme stipulates that a competitive tender is held and that the institution which bids the highest loan amount to the government receives a degree of control over the pledged shares. Within approximately

three years of the auction date, but no earlier than September 1 1996, the lending institution must organise, with the Russian Federal Property Fund, a competitive tender to purchase the pledged shares. The lending institution is entitled to a commission equal to 30 per cent of the appreciation of the shares while the government receives the 70 per cent balance. The government fully expects to realise a price that reflects the market price at the time of sale.

In the case of Lukoil, the minimum bid price was \$35m plus the obligation to pay a tax liability to the government of \$110m within 10 days of the winning loan. The tax liability plus the \$35m is about \$4.06 per share, about equal to the market price of Lukoil shares at the time of calling the tender and on the date of the tender.

There are several statements

in your articles which are totally incorrect. None of Lukoil's management was involved in this transaction. As mentioned above, Imperial Bank, or "Consortium" as you refer to it, does not at present own the shares.

The statement which has caused us the most immediate concern is that "Imperial and Lukoil themselves announced a 5 per cent convertible bond offering" to international investors.

In actual fact, Lukoil proposed to the GKI an issue of bearer bonds convertible into 5 per cent of Lukoil shares pledged in the loan-for-shares programme, for sale to retail investors in Russia only. The bonds will be converted into common shares in 1998.

Peter Neyer,
media relations director,
Lukoil Oil Company,
5/2 Zvonarsky pereulok,
Moscow 103031, Russia

BUSINESSES FOR SALE



APV RT.

HUNGARIAN PRIVATIZATION
AND STATE HOLDING COMPANY

Announcement

The Hungarian Privatization and State Holding Company (H-1133 Budapest, Újpesti rakpart 31-33, hereafter: APV Rt.) begs to inform all interested parties that the tenders submitted for the sale of state owned shares of various companies within the Hungarian electricity industry had been appraised and judged.

On the basis of the decision passed by the Board of Directors on the 6th December, 1995 the winners of the tenders are:

RWE Energie AG (Essen) - Energie Versorgung Schwaben AG (Stuttgart) Consortium
at the Budapesti Elektromos Művek Rt. (Budapest Electricity Works, Ltd.)

Bayerwerk AG (Munich)
at the Déldunántúli Áramszolgáltató Rt. (Déldunántúli Supply Ltd.)

EDF International (Paris)
at the Délmagyarországi Áramszolgáltató Rt. (Délmagyarországi Supply Ltd.)

EDF International (Paris)
at the Északdunántúli Áramszolgáltató Rt. (Északdunántúli Supply Ltd.)

RWE Energie AG (Essen) - Energie Versorgung Schwaben AG (Stuttgart) Consortium
at the Északmagyarországi Áramszolgáltató Rt. (Északmagyarországi Supply Ltd.)

Isar Amperwerke AG (Munich)
at the Tiszántúli Áramszolgáltató Rt. (Tiszántúli Supply Ltd.)

RWE Energie AG (Essen) - Energie Versorgung Schwaben AG (Stuttgart) Consortium
at the Mátrai Erőmű Rt. (Mátrai Power Plant Ltd.)

Powerfin S. A. (Brussels)
at the Dunamenti Erőmű Rt. (Dunamenti Power Plant Ltd.)

The winners offered the most favourable bids in accordance with the considerations of evaluation.

Simultaneously the Board of Directors declared void the tenders for the following companies:

Bakonyi Erőmű Rt. (Bakonyi Power Plant Ltd.)
Budapesti Erőmű Rt. (Budapest Power Plant Ltd.)
Pécsi Erőmű Rt. (Pécsi Power Plant Ltd.)
Tiszai Erőmű Rt. (Tiszai Power Plant Ltd.)
Véteszi Erőmű Rt. (Véteszi Power Plant Ltd.)

Magyar Villamos Művek Rt. (MVM Rt. Hungarian Power Companies Ltd.)

1501



Democrats spurned in plans for colony's future

Beijing appoints group to prepare HK handover

By Simon Holberton
in Hong Kong

China yesterday selected a group of senior Hong Kong business figures, local pro-Beijing politicians and Communist party officials to oversee preparations for Hong Kong's reversion to Chinese rule during the last 18 months of British sovereignty.

In picking the 150-strong "preparatory committee", Beijing disappointed many by shunning members of Hong Kong's Democratic party, the group which won most popular support in the colony's general election in September.

Beijing has decided that any risk of having the legitimacy of its takeover questioned, by ignoring the Democrats, is outweighed by the presence of individuals who will do its bidding.

The Hong Kong government issued a bland response to yesterday's announcement, observing that it was in the colony's interest to co-operate with the committee. The government reiterated the offer, made by Mr Chris Patten, the governor, in October

1994, to help the committee. It plans to establish a liaison office to act as a clearing house for requests for information from the preparatory committee.

The committee will direct the incoming government to dismantle many of the political and legal reforms which have been a feature of the last years of British rule. Another of its main tasks will be the selection of 400 people to form an election committee to choose Hong Kong's first chief executive - as the post-colonial governor will be known.

The membership of the committee, which was endorsed by the standing committee of the National People's Congress, China's parliament, reads like a Who's Who of Hong Kong's Chinese business, with the big British companies, such as Hongkong Bank, Swire and Hongkong Telecom, excluded.

Indeed, 50 of the 94 Hong Kong members of the preparatory committee are owners of listed Hong Kong companies with a combined market capitalisation of HK\$40bn (\$10.7bn), or 35 per cent of the Hong Kong

market's total capitalisation. Business membership is strongly weighted towards Hong Kong's property developers and includes the top five property tycoons - Mr Li Ka-shing of Cheung Kong, Mr Lee Shau Kee of Henderson, Mr Cheng Yu-tong of New World Development, Mr Walter Kwok of Sun Hung Kai Properties and Mr Peter Woo of Wheelock.

The owners of Hong Kong's two terrestrial television stations - Sir Run Run Shaw and Mr Lam Bo-yun - are members, as is Malaysian-Chinese entrepreneur Mr Robert Kuok, proprietor of the South China Morning Post.

Appointees among Hong Kong's nascent political class are the chairman of the pro-business Liberal party, the pro-China Democratic Alliance for the Betterment of Hong Kong, and a small pro-democracy group, the Association for People's Livelihood. In all, some 14 members of the Legislative Council, Hong Kong's lawmaking body, were appointed - with the notable exception of Mr Martin Lee's Democratic party.

Political rivals back reforms in German telecoms

By Andrew Fisher in Frankfurt

The German government and the main opposition party have agreed a firm timetable for legislation to liberalise the telecommunications market and provide more competition for state-owned Deutsche Telekom after the company is privatised.

The deal between the parties is important to ensure the legislation passes both houses of parliament.

The Bundestag, or lower house, is controlled by Chancellor Helmut Kohl's ruling CDU/CSU coalition with the liberal FDP, but the Bundesrat, or upper house, is controlled by the opposition Social Democratic party (SPD).

The government has made important concessions to the SPD, which wanted the legislation to include a guarantee that the "universal" service would be both affordable and of a high standard.

The new legislation will include an obligation on the government to ensure the provision of a universal service - whereby anyone who wants a telephone will have the right to have one connected.

Postal ministry officials said the bill would go before the Bundestag on January 24, and that parliamentary debate would start in February. With all-party consent, the new telecoms bill is expected to become law in the middle of next year.

The legislation will allow widespread access to the potentially lucrative German telecoms market - the third largest in the world after the US and Japan - from the start of 1998.

A number of big foreign telecom operators, mainly from Britain and the US, have already signed partnerships with German companies to compete with Deutsche Telekom in the estimated DM75bn (\$28bn) a year market.

The ministry said the content of the bill would be largely as agreed between the parties last month after long negotiations, with several points of detail having still to be cleared up.

But the parties have not yet reached final agreement on the nature of a telecoms regulatory body.

A deal is expected to be hammered out next month, with the economics ministry likely to be the ministry responsible.

Mr Wolfgang Röscher, telecommunications minister, said last month that the new law would provide ample opportunity for competitors of Deutsche Telekom - which will be partly privatised late in 1996 through a DM15bn share issue - to enter the market. It would also attempt to stop companies from abusing dominant positions.

Editorial Comment, Page 11

THE LEX COLUMN

Russia hangs up

Russia's government has dealt another heavy blow to the credibility of its own privatisation programme. The planned sale to Stet of 25 per cent of Sviastinvest, the telephone company, was the government's answer to critics of recent insider-dominated privatisation deals. It was supposed to show that Russia could make a success of an open auction to international bidders. Now the deal appears to have fallen through, the government can hardly complain if the opposite is concluded.

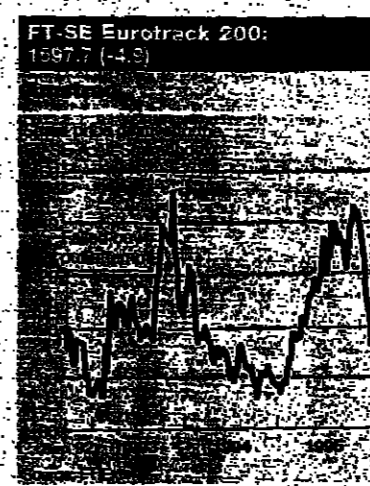
Stet was right to be demanding. Sviastinvest on its own is only a tiny holding company. Before committing \$1.4bn, Stet's requests for clarity over what precisely it was buying, the regulatory regime, and its relationship with Rostelecom, Russia's dominant telecoms operator, took the least it could ask. Stet's shareholders should welcome the company's insistence that its investment be held in an escrow account until these questions are answered.

Stet may be acquiring a growing reputation for losing in international competitions, but the healthy rise in the company's share price since the deal foundered suggests investors are not too worried about that. This is the right reaction: for shareholders, losing in competitions is less worrying than winning and overpaying. If anything, what is worrying in this case is that the company seemed to develop confidence rather late in the day. Stet should have insisted on getting answers to its questions at the outset.

Channel rail link

For years, the British government's flagship private finance project, a high-speed rail link from London to Paris, has seemed no more than a distant mirage. Next month, though, ministers will finally choose which consortium is to build it. And investors will have their first chance to size up its risks and returns.

Investors and banks stumping up the £2bn or so needed will rightly have the ghostly precedent of Eurotunnel in the front of their minds. True, lessons have been learned from Eurotunnel's problems. By the time construction contracts are signed and investors put up cash, the rail line should be planned in much more detail than the tunnel was. Moreover, investors will be told, the tried-and-tested engineering of a rail line is straightforward by comparison with the ground-breaking risks of the tunnel.



This comforting argument should, though, be taken with a hefty pinch of salt. Apart from anything else, the rail link will - unusually - include 25km of tunnelling. And tunnels are notoriously prone to risk: in theory, fixed-price contracts should protect the project from escalating costs. But investors cannot bank on it. If things go wrong, they are likely to be flooded with legal claims.

The risks of building the line are not the end of the story. Investors will also have to cope with the risks of running it. If the airline sector is anything to go by, they would be unwise to pin their hopes on smoothly growing fare levels. And predicting rail traffic on a new line, past the turn of the century, is a dangerous game.

On top of all this, the performance of the existing Eurostar services to Paris and Brussels from London Waterloo has been disappointing. This is a double blow. It means investors are more likely to be pessimistic about the new line's prospects. And it means Eurostar, one of the goodies to be offered to the winning consortium, now looks a less attractive dowry. Both factors are likely to lead to a hefty increase in the subsidy needed to get the project off the government's hands.

Giving Eurostar to the winning consortium is a decision ministers may well come to regret. Passengers would do much better if the existing line were privatised separately, giving two competing train services to Paris: one from Waterloo, one from St Pancras. But for precisely this reason, the decision offers some protection for investors. It means the project will only have to face price wars with the

airlines, not another rail line as well. Even so, the winning consortium will still have to convince investors it can make a commercial success of the new line, not just build it. This gives one of the two bidders, London & Continental, two advantages over the other. EuroRail, L&C's consortium, includes two transport operators, National Express and Virgin. And unlike Eurostar's consortium, which takes in BOC and Trafalgar House, it includes no construction contractors. EuroRail will have to work hard to convince investors the two construction firms do not stand too good a chance of winning juicy contracts from a consortium of which they are members. It is investors who will suffer if the relationship between the project and its contractors is too cosy.

Amstrad

The news that Amstrad is losing Mr David Rogers, its chief executive, after just 16 months will only confirm investors' suspicions of the electronics group. Not only does it look as if Mr Rogers, its memorial founder chairman, is tightening his grip on Amstrad - raising fears that there could be a reversal of the increased openness that followed his failure to take it private in September 1992. Judging by the recent fall in the share price, it also appears that the decision to embark on a second restructuring of the consumer electronics division - announced last week - may have leaked to the market. Two weeks ago Amstrad said it knew of no reason for the weakness in its shares.

Having said that, Mr Rogers' departure seems based on more than a simple clash of personalities. He was brought in to turn around the consumer arm, which competes in the hopelessly competitive market for audio and video equipment. Having brought it back to near break-even, he was apparently arguing for its renewed expansion. Meanwhile Mr Rogers, backed by his non-executive directors, wanted to cut it back further and concentrate resources on Amstrad's newer activities in direct computer sales and mobile phones. Since these offer faster growth and higher margins, that looks the correct strategy. Arguably, Amstrad should cut the consumer business altogether. Even after yesterday's 15 per cent fall, the shares have kept pace with the market since Mr Rogers proposed his buy-out three years ago. Amstrad's prospects remain as uncertain as ever.

Nato general in talks with Milosevic during Serbia visit

By Laura Silber in Belgrade

A Nato commander yesterday made a ground-breaking visit to Serbia as the international force met its first deadline for bringing peace to Bosnia.

General George Joulwan, supreme allied commander in Europe, landed in Belgrade with the first Nato troops to set foot on Yugoslav soil. Their mission opened a vital route for troops bound for US headquarters in Tuzla, north-eastern Bosnia.

Gen Joulwan's visit was capped by talks with President Slobodan Milosevic of Serbia, who said as recently as two years ago that foreign troops would be welcome only as tourists.

It came as Bosnian Serb and Bosnian government forces met the first peace deadline under the Nato agreement - withdrawing by midnight on Wednesday from 38 checkpoints around Sarajevo. The advance party of US troops arrived yesterday in four military

transport aircraft packed with equipment. The troops were due to drive in convoy through Serbian territory across the border - once hostile territory - to Tuzla.

It was a crucial test case to determine whether Belgrade airport can be used as a main entry point for US troops. Diplomats believe the 200km overland route to Tuzla from Belgrade could hasten the despatch of the 60,000-strong Nato-led Implementation Force (IFOR).

Bad weather has dogged the IFOR mission since it took over from the United Nations nine days ago. There was flooding at a crossing at the frontier River Sava, where a pontoon bridge is due to be built for the main body of US troops crossing from Croatia into Bosnia.

Mr Milosevic, once seen as the main instigator of war in the region, is now widely regarded as a cornerstone of the peace. By contrast, Nato commanders have shunned contact with his former

proxies, Mr Radovan Karadzic, the Bosnian Serb leader, and General Ratko Mladic, his military chief, indicted as war criminals, the two cannot remain in office once elections are held within nine months.

Gen Joulwan said yesterday: "The instructions are [that] we will not go looking for individual war criminals. We will detain them if they come into contact with our forces."

Diplomats said the general's visit was aimed at reassuring Serb leaders for their role in the peace process, relations with the Serbs to have improved greatly. US commander yesterday said he was "very disappointed" and would investigate.

Asked to comment on the report that a US colonel had accused the Croats of being racists, Maj-Gen William Nash, commander in north-eastern Bosnia, said he was "very disappointed" and would investigate.

CompuServe

Continued from Page 1

groups and on the fast growing World Wide Web section of the Internet.

However, concern over pornography and other material such as bomb-making instructions, carried on some parts of the Internet, has led to calls for some form of regulation.

Shake-up at Hyundai

Continued from Page 1

aided by Mr Chung's control of Hyundai Motor Service, the group's domestic car sales unit. Mr Chung has since added the group's auto-financing division to his holdings.

Mr Chung also heads Incheon Iron and Steel and Hyundai Pipe. As the new Hyundai chairman,

he is likely to push for his pet project, which is the construction of a \$10bn steel mill that will make Hyundai self-sufficient in steel.

However, the government is opposing the project because it threatens to take business from state-owned Pohang Iron & Steel and possibly contribute to a glut in domestic steel production.

Europe today

Much of Europe north of the Alps will be wintry with maximum temperatures below freezing. High pressure over Iceland and Russia will keep most of the UK and Ireland dry with sunny periods. The Benelux, northern France, Germany, Poland, the Czech Republic and Slovakia will be sunny. The Shetlands and the Orkneys will have snow showers. A depression over Greece will cause rain in Serbia, Macedonia, Greece and south-western Turkey. Higher ground in northern Greece and the former Yugoslavia will have snow. Mild air over southern France will slowly move north-east accompanied by rain. Snow will fall in the Alps above 1,200 metres. Spain and Portugal will be mild and unsettled.

Five-day forecast

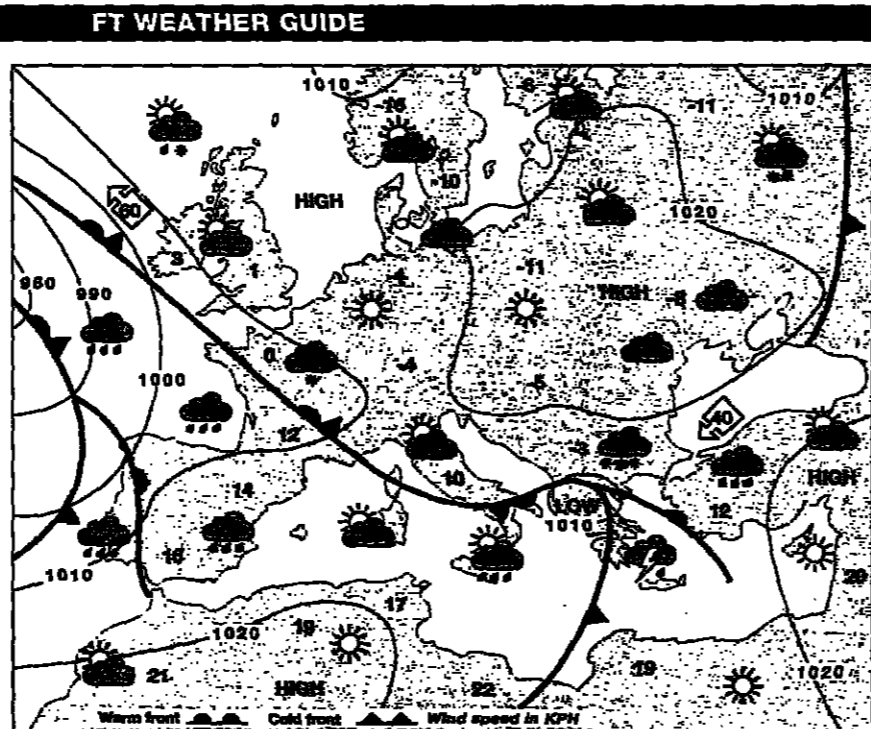
Mild air over south-western France will make further progress towards the British Isles, the Benelux, Germany and the Alps, causing cloud, snow and drizzle during the weekend. The Mediterranean will continue unsettled and mild with numerous showers in Spain and Portugal on Saturday. Italy, the former Yugoslavia, Greece and western Turkey will have showers this weekend.

TODAY'S TEMPERATURES

	Maximum	Minimum
Abu Dhabi	sun 21	sun 11
Accra	sun 31	sun 21
Algiers	cloudy 19	cloudy 9
Amsterdam	sun 18	sun 8
Athens	rain 16	rain 6
Bahia	sun 28	sun 18
Bangkok	sun 29	sun 19
Barcelona	sun 13	sun 3
Bombay	sun 31	sun 21
Buenos Aires	sun 21	sun 11
Calcutta	sun 21	sun 11
Cairo	sun 21	sun 11
Cardiff	sun 11	sun 1
Cebu	sun 21	sun 11
Chennai	sun 21	sun 11
Copenhagen	sun 11	sun 1
Dakar	sun 21	sun 11
Dallas	sun 21	sun 11
Delhi	sun 21	sun 11
Dublin	sun 11	sun 1
Edinburgh	sun 11	sun 1
Hankow	sun 21	sun 11
Hong Kong	sun 21	sun 11
Houston	sun 21	sun 11
Jaipur	sun 21	sun 11
Jakarta	sun 21	sun 11
Johannesburg	sun 21	sun 11
Kuala Lumpur	sun 21	sun 11
London	sun 11	sun 1
Los Angeles	sun 21	sun 11
Lyons	sun 11	sun 1
Madrid	sun 21	sun 11
Manila	sun 21	sun 11
Mexico City	sun 21	sun 11
Moscow	sun 21	sun 11
Mumbai	sun 21	sun 11
Nairobi	sun 21	sun 11
New Delhi	sun 21	sun 11
New York	sun 21	sun 11
Osaka	sun 21	sun 11
Paris	sun 11	sun 1
Perth	sun 21	sun 11
Prague	sun 11	sun 1
Rangoon	sun 21	sun 11
Rio de Janeiro	sun 21	sun 11
Rome	sun 21	sun 11
Sao Paulo	sun 21	sun 11
Singapore	sun 21	sun 11
Sofia	sun 21	sun 11
Stockholm	sun 11	sun 1
Sydney	sun 21	sun 11
Taipei	sun 21	sun 11
Tokyo	sun 21	sun 11
Toronto	sun 11	sun 1
Vancouver	sun 11	sun 1
Vienna	sun 11	sun 1
Warsaw	sun 11	sun 1
Washington	sun 11	sun 1
Wellington	sun 11	sun 1
Winnipeg	sun 11	sun 1
Zurich	sun 11	sun 1

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Lufthansa



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

Cardiff	sun 11	sun 1
Casablanca	sun 21	sun 11
Chicago	sun 21	sun 11
Cologne	sun 21	sun 11
Dakar	sun 21	sun 11
Dallas	sun 21	sun 11
Delhi	sun 21	sun 11
Dubai	sun 21	sun 11
Dublin	sun 11	sun 1
Dubrovnik	sun 21	sun 11
Edinburgh	sun 11	sun 1
Faro	sun 21	sun 11
Frankfurt	sun 11	sun 1
Geneva	sun 21	sun 11
Glasgow	sun 11	sun 1
Hankow	sun 21	sun 11
Hong Kong	sun 21	sun 11
Houston	sun 21	sun 11
Jaipur	sun 21	sun 11
Jakarta	sun 21	sun 11
Johannesburg	sun 21	sun 11
Kuala Lumpur	sun 21	sun 11
London	sun 11	sun 1
Los Angeles	sun 21	sun 11
Lyons	sun 11	sun 1
Madrid	sun 21	sun 11
Manila	sun 21	sun 11
Mexico City	sun 21	sun 11
Moscow	sun 21	sun 11
Mumbai	sun 21	sun 11
Nairobi	sun 21	sun 11
New Delhi	sun 21	sun 11
New York	sun 21	sun 11
Osaka	sun 21	sun 11
Paris	sun 11	sun 1
Perth	sun 21	sun 11
Prague	sun 11	sun 1
Rangoon	sun 21	sun 11
Rio de Janeiro	sun 21	sun 11
Rome	sun 21	sun 11
Sao Paulo	sun 21	sun 11
Singapore	sun 21	sun 11
Sofia	sun 21	sun 11
Stockholm	sun 11	sun 1
Sydney	sun 21	sun 11
Taipei	sun 21	sun 11
Tokyo	sun 21	sun 11
Toronto	sun 11	sun 1
Vancouver	sun 11	sun 1
Vienna	sun 11	sun 1
Warsaw	sun 11	sun 1
Washington	sun 11	sun 1
Wellington	sun 11	sun 1
Winnipeg	sun 11	sun 1
Zurich	sun 11	sun 1

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